

AGRICULTURAL OUTLOOK

December 1985

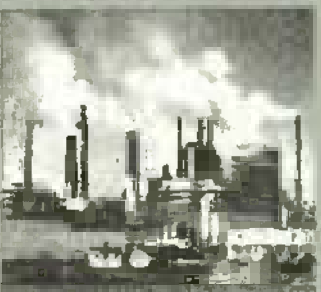
Economic Research Service
United States Department of Agriculture

***Putting Meat
Price Spreads
in Perspective***



AGRICULTURAL OUTLOOK

December 1985/AO-115



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In Brief. . .

News of Mexican Trade, Farm Income, the High Dollar

The rise in retail food prices this year has been small. The Consumer Price Index for food in 1985 is expected to average a little over 2 percent above last year. Prices of food at home will average up only about 1 percent, and food away from home will be up 4 percent. The farm value of food has dropped about 7 percent this year, keeping the retail price rise modest.

This year's small retail price rise for food has in turn helped keep general inflation down. In September, the Consumer Price Index grew only 0.3 percent, an annual rate of 2.3 percent.

Net farm income for the year is expected to range between \$25 and \$29 billion, down from an estimated \$34.5 billion in 1984. Net cash income is expected to be even to slightly higher than 1984's \$39.2 billion. The current forecast is \$37 to \$41 billion.

In the first half of 1985, the U.S. economy saw strong domestic demand but weak domestic manufacturing production. Demand, rather than being satisfied by current domestic production, was met by drawing down inventories and importing more goods and services. Real GNP grew at an annual rate of 1.1 percent in the first half, while real personal consumption expenditures grew slightly faster than 5 percent and non-residential fixed investment at nearly 6 percent.

The dollar continues strong against other world currencies. The higher cost of the dollar to foreign countries may lead them to substitute less expensive items, rely more heavily on domestic production, or possibly forego expensive U.S. goods altogether and buy from other countries.

Output of turkey meat from federally inspected plants totaled 858 million pounds in third-quarter 1985, up 10 percent from 1984. Cold storage holdings of



whole turkeys are up 13 percent from last year. Supplies of hams, which compete with turkeys in the fourth quarter, are up 4 percent.

In 1985, poultry meat output in the major world producers is expected to reach 24.9 million metric tons, up 3 percent. Developing countries, particularly in the Mideast, have used poultry meat imports as a quick, relatively inexpensive way of increasing their protein consumption. To fill this demand, several foreign countries have emerged as leading exporters—France, Brazil, and Hungary—and the United States has also increased its exports.

Sales of dairy products surged during the summer quarter of 1985. Commercial use of milk and dairy products was

almost 5 percent above the same quarter of 1984. Increases occurred on a broad front; sales of fluid milk, butter, cheese, and frozen products were all up significantly.

The farm-to-retail price spread for beef was fairly constant from 1981 through 1984 at about \$1.00 a retail pound. However, the spread has widened this year because the farm price dropped. In July, the spread widened to a record \$1.17, but it has moderated since. Over time, the spread has grown less than the general inflation rate.

Potato farmers have harvested an estimated 346.1 million cwt this fall, the largest crop ever. The record output resulted from a 4.8-percent increase in acreage and a 5.5-percent improvement in yields over 1984. The fall potato crop estimate, added to larger production earlier in 1985, pushes the estimate of 1985 production to 400.4 million cwt, 9.2 percent above the previous record, set in 1978.

Domestic demand for new farm machinery has fallen sharply this year, continuing a trend started in 1980. Purchases of new machinery, particularly four-wheel-drive tractors and self-propelled combines, have been a casualty of the weak farm economy. Another sales decline is in sight for 1986.

The important agricultural trade relationship between Mexico and the United States has been marked by some Mexican trade barriers, both tariff and non-tariff. Recently, though, the Mexican Government has moved to liberalize trade restrictions, by dropping licensing requirements on some farm imports and exports, and also by allowing more private Mexican firms to participate in international agricultural trade.



Agricultural Economy

On the whole, the agricultural news this year has not been good for farmers. Land and crop prices are down and export markets are weak. But there is brighter economic news—slow inflation and low food prices.

Food prices are increasing only a little more than 2 percent this year, about half of the much-slowed inflation rate. Abundant supplies of food result from large meat production and big crop harvests in 1984 and 1985.

The forecast rise in the food component of the Consumer Price Index (CPI) can be broken down into two categories—food at home and food away from home. The price of food at home has increased a modest 1.1 percent in 1985. For 1986, the forecast indicates another small rise. Food away from home, meanwhile, is climbing more rapidly, around 4 percent this year and perhaps the same next. Since the major cost for restaurant food is the service, food away from home is increasing about in line with the general inflation rate—4 percent.

The farm value of food is actually declining 7 percent this year. While most farm value decreases are being offset by increases in marketing and other costs,

low farm prices are responsible for most retail food prices holding about steady.

Let's look at some of the major changes in both farm prices and retail prices during the year. Choice steers at Omaha averaged \$65 per cwt in 1984, but are forecast to average \$58 to \$59 in 1985. In September the Consumer Price Index for beef and veal was 5.5 percent below its level at the beginning of the year. Beef producers are cutting back output, and consumer beef prices are forecast to average 3 to 5 percent higher next year.

A similar situation exists for pork. The seven-market price for barrows and gilts averaged almost \$49 per cwt in 1984, but the average is dropping to \$44 to \$45 for 1985. The September CPI for pork was 2.5 percent lower than in January 1985.

Even though hog prices have been weak and returns to producers generally unfavorable much of this year, producers may take advantage of low feed prices and begin to increase pork production in the last half of 1986. The CPI for pork, however, is forecast to rise moderately, largely because of expected smaller supplies of beef.

Broiler producers have increased output and made profits this year. While the wholesale 12-city price for broilers in 1985 will average 4 to 5 cents per pound below 1984's 55 cents, feed prices have dropped sharply enough to offset the impact of lower broiler prices. The CPI for fresh whole chicken, while fluctuating during the year, was the same in September as it was last January.

Through September, the CPI for all items—food and nonfood—had increased 2.7 percent. This is one of the smallest rises in recent years. However, the food component had risen only 0.9 percent during the same period, with all of the increase in food away from home. Clearly, the drop in the farm value of food has helped hold the whole food component of the CPI to only a small increase.

If one considers only food at home, the effect of low farm prices is even more pronounced. Prices for food at home have fallen about 0.2 percent through September. However, they may rise during the fourth quarter.

Food prices have actually increased less than the general inflation rate in 9 of the last 10 years. Moreover, changes in

food prices significantly affect the inflation rate. Food contributes about 19 percent of the weight in the Consumer Price Index. Meats, poultry, fish, and eggs alone are almost 4 percent of the entire index—about the same as new cars and trucks.

It is the farm-retail spread of food prices that accounts for the rise in food costs for 1985. Thus, consumers have been primary beneficiaries, while some farmers continue to suffer financial problems. The farm sector faces weak commodity prices, excess supplies, lack of cluster markets, and declining land values. But consumers have enjoyed several years of relatively stable food prices. *(Herb Moses (202) 786-3333)*

LIVESTOCK HIGHLIGHTS

• Cattle

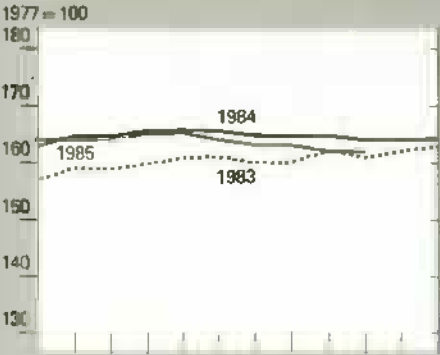
Beef production has declined since early fall and will remain 2 to 4 percent below 1984 through the fourth quarter. Choice steer prices rose to the low \$60's in October, as slaughter weights finally declined and supplies tightened. These higher prices bode well for cattle feeders, many of whom have suffered losses in 1985. Cow-calf producers should also benefit during the fourth quarter as feeders are able to bid higher for feeder cattle.

Cattle placements on feed should be relatively large in the fourth quarter because of lower grain prices and stronger Choice steer prices. Prices for Choice steers are expected to average about \$60 for the quarter and in the middle \$60's during the first half of next year. Breakeven prices for cattle placed on feed in September and marketed in February may be only in the high \$50's, with the cost per pound of gain in the middle \$40's. Given this cost and price scenario, feeders could bid into the high \$60's for yearling steers during the fourth quarter and still break even.

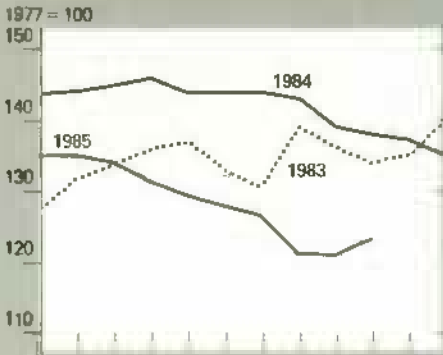
The October 1 *Cattle on Feed* supports a forecast of lower production and stronger prices late this year. The

Prime Indicators of the Agricultural Economy

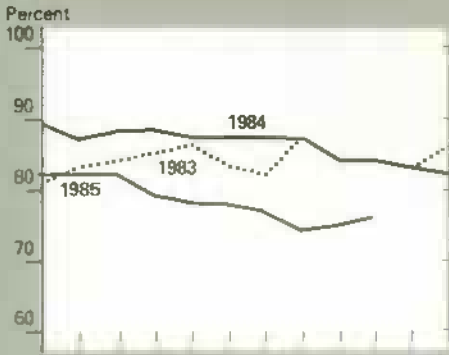
Prices paid by farmers¹



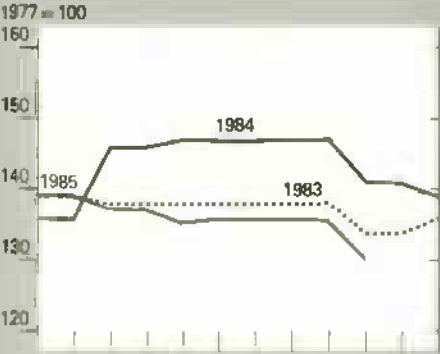
Prices received by farmers²



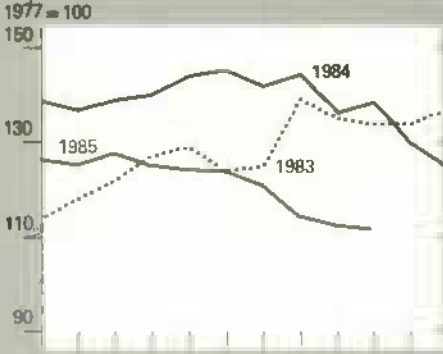
Ratio of prices received to prices paid



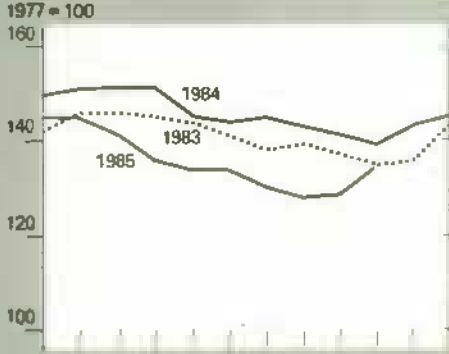
Fertilizer prices³



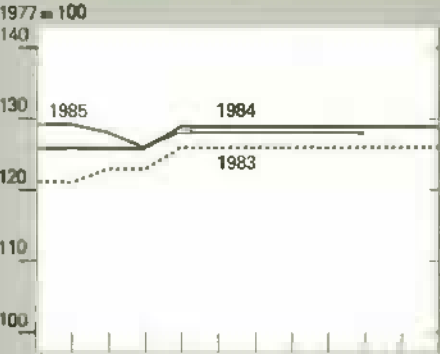
All crops⁴



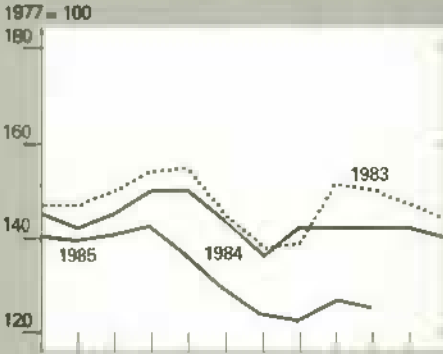
Livestock and products⁴



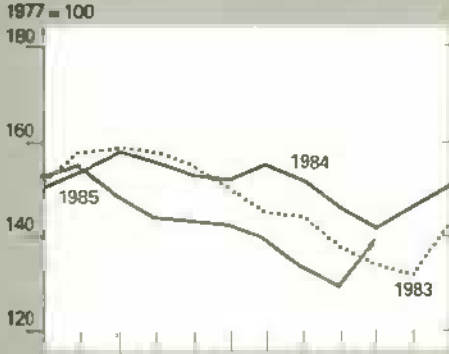
Agricultural chemicals³



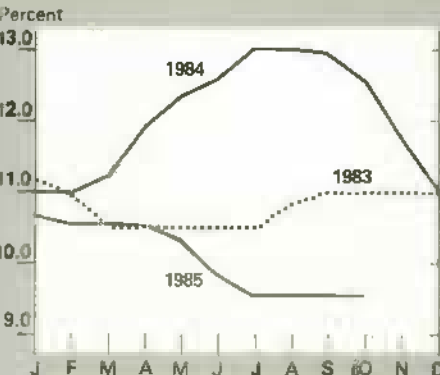
Food grains⁴



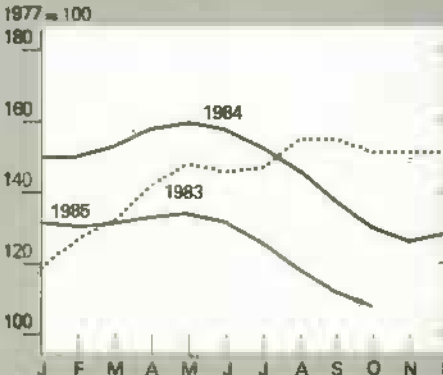
Meat animals⁴



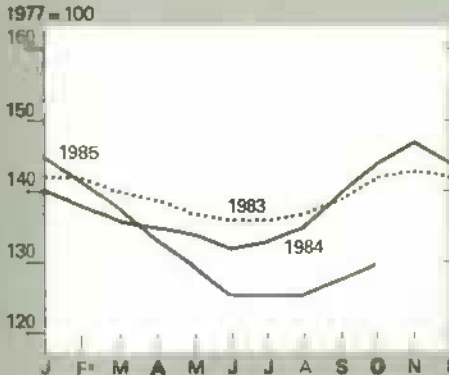
Interest rates—prime rate



Feed grains and hay⁴



Dairy products⁴



¹For commodities and services, interest, taxes, and wages.

²For all farm products.

³Index of prices paid; 1977 = 100.

⁴Index of prices received; 1977 = 100.

number of cattle on feed was down 12 percent from a year earlier, and feedlots marketed 5 percent more cattle during the third quarter. Third-quarter net placements were down 13 percent.

Fourth-quarter fed cattle marketings are expected to be down 4 percent from a year ago, because of the drop in placements during the second and third quarters. The weight-group breakdown in the October 1 report indicates that this drop is likely. Steers in the 700- to 899-pound group and the 900- to 1,099-pound group were down 16 and 12 percent, respectively, from a year earlier. The number of steers in the heaviest group (over 1,100 pounds) was 6 percent higher than last year, but these have already been marketed. Heifers weighing 700 to 899 pounds were down 5 percent from a year earlier. Cattle in these weight categories will likely be marketed this quarter.

Feeder cattle supplies continued to decline in the third quarter, largely because of the smaller calf crop. Total supplies on October 1 were down 3 percent from a year earlier, while calves outside feedlots decreased 5 percent. However, yearling feeder cattle numbers increased 7 percent from a year earlier, primarily because they had not yet been placed on feed on October 1, and fewer beef replacement heifers were being retained for herd expansion.

Most of these yearlings will be placed on feed or slaughtered as nonfeds during the fourth quarter, and additional placements of lighter-weight calves are also likely because of lower grain prices. Because feeding margins are expected to be positive for cattle placed this fall, more yearling cattle will likely be pulled from nonfed slaughter and placed on feed.

With somewhat stronger prices, and costs remaining steady or rising only slightly, returns for cow-calf producers may approach breakeven next year. However, this will only mark the beginning of financial recovery for most producers, who have suffered negative returns for 5 years. [John Nalivka (202) 786-1830]

• Hogs

Barrow and gilt prices at the 7 major markets averaged \$44 per cwt in October, higher than in August or September. This counterseasonal phenomenon has occurred only five times since 1950. The price increase resulted from lower production. Corn prices fell in October because of the record-large crop. As a result, the hog-corn price ratio rose to 20 to 1. Historically, when a hog-corn price ratio of this size has been sustained, hog producers have expanded their breeding herds. But will producers follow their usual pattern?

Except for 1982, returns in recent years have not been favorable, nor have they been this year. In addition, farm financial problems have been the most pronounced in the North Central States, where about 80 percent of U.S. hogs are raised. On the other hand, with prospects for higher hog prices and low feed costs in the coming months, hogs may be the best alternative for some livestock-grain operators; feeding corn not under loan may be more profitable than selling it. Because of the pervasive financial stress in the Corn Belt, though, any expansion is likely to be modest.

Preliminary data indicate that hog slaughter in the first half of the fourth quarter was down 4 percent from a year earlier. Slaughter during this period is drawn primarily from the inventory of market hogs weighing 120 to 179 pounds on September 1, a category which was down 5 percent. However, the percentage of sows in the total slaughter during October, a low 4.7 percent, indicates that gilt retention may begin in the coming months.

While the decline in pork and beef production has strengthened hog prices, the amount of pork and turkey in cold storage may be burdensome, especially in the last half of the quarter. Normally, hog prices strengthen during this period because of seasonally vigorous demand for hams. However, hams and turkeys compete for the consumer dollar, especially during the holidays. As of September 30, hams in cold storage totaled 73 million pounds, up 4 percent from last year, and turkey stocks were up 14 percent. Nevertheless, hog prices are expected to average \$42 to \$46 per cwt in the fourth quarter. [Leland Southard (202) 786-1830]

• Broilers

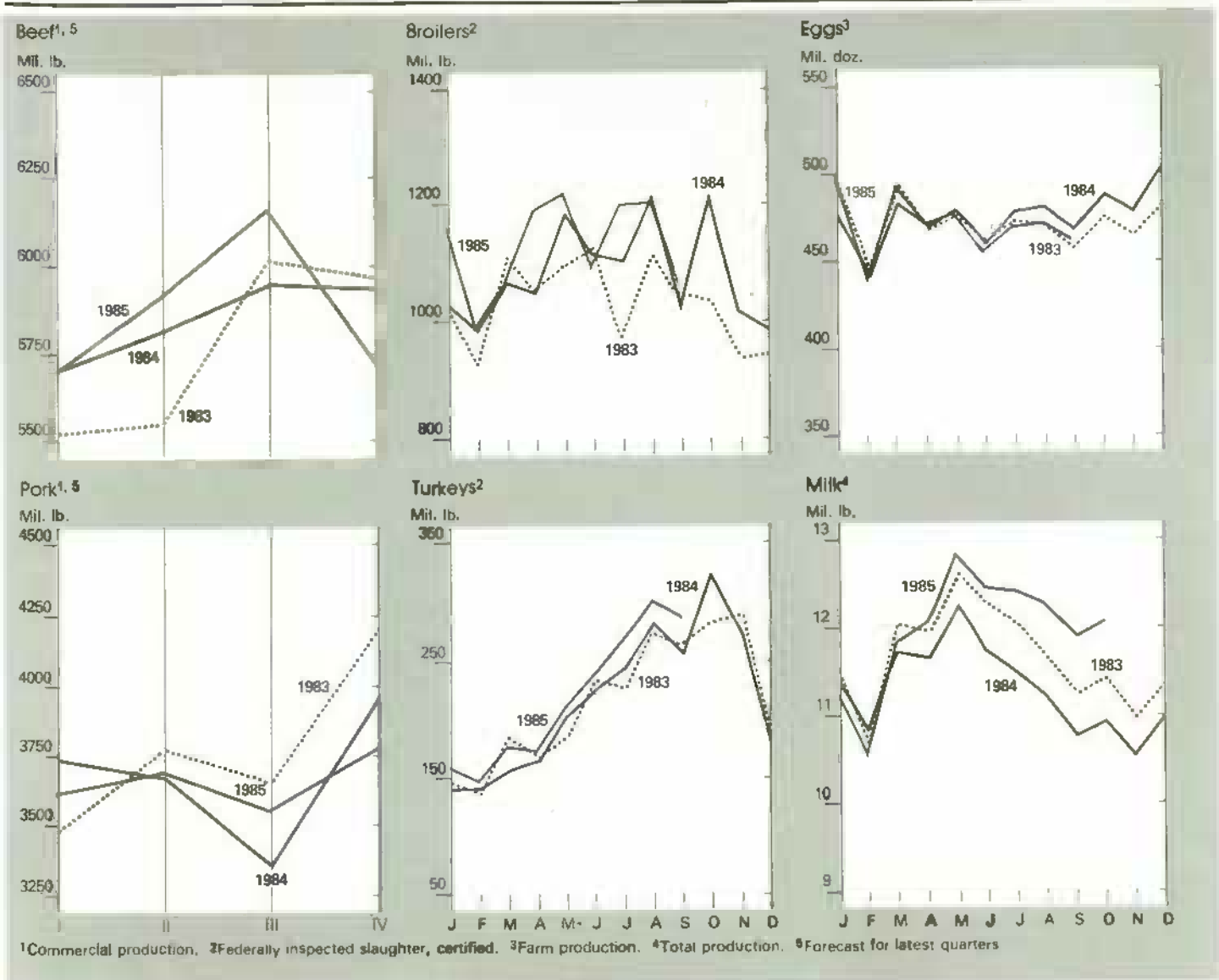
Economic conditions for broiler producers remain favorable. The large harvests of corn and soybeans assure big supplies of feed ingredients at low prices, which will help hold the cost of production near current levels. Broiler prices are expected to remain above costs in 1986.

The favorable net returns have encouraged production of additional broilers in 1985, and continued increases are expected in 1986. Output of broiler meat from federally inspected plants during the third quarter totaled 3,485 million pounds, up 4 percent from 1984. The number of birds was up 4 percent and weights were nearly the same as last year. Producers might have increased production more if additional housing had been available. Since the hottest weather occurs in the third quarter, producers do not crowd the birds then, and the increase in output was not as great as in the second quarter.

Broiler chicks hatched for fourth-quarter slaughter were up about 4 percent from last year. Thus, production in the fourth quarter may be 3 to 5 percent above 1984's 3,227 million pounds.

Broiler hatcheries are encouraging the addition of pullets to their hatchery supply flocks. In the first 4 months of 1986, cumulative placements 7 to 14 months earlier should be up almost 2 percent from a year earlier. With favorable returns, producers are likely to keep the hens in the flocks longer and expand production 3 to 5 percent in the first half of 1986. However, the continuing tight supply of grow-out houses and layers in the hatchery supply flocks suggests that the expansion in 1986 will be modest compared with previous profitable periods.

The composite price for whole broilers in the 12 cities during October averaged 48 cents per pound, off from 49 cents in 1984. While prices are below 1984, they are relatively strong when one considers the increased production. During the fourth quarter, prices may average 48 to 50 cents, near 1984's 50 cents. With smaller supplies and higher red meat prices expected in first-half 1986, broiler prices may average 47 to 53 cents per pound, near the 51 cents of 1985. [Allen Baker (202) 786-1830]



• **Turkey**
The cost of producing turkeys appears likely to remain stable. Supplies of corn and soybeans, major feed ingredients, will be plentiful. While prices for turkeys may slip from current levels, returns are expected to remain positive in 1986.

The output of turkey meat from federally inspected plants totaled 858 million pounds in third-quarter 1985, up 10 percent from 1984. The increase came from both greater numbers of birds (up 8 percent) and heavier average weights (up 2 percent).

Additional turkeys were placed late in the hatching season. If a large proportion of these birds is slaughtered in December, the output in the fourth quarter

may be 9 to 11 percent above last year's 775 million pounds. Given the favorable returns this year and the increased placements to date, output in first-half 1986 may be 7 percent above 1985.

Cold storage holdings of frozen turkeys and parts on October 1 totaled 446 million pounds, up 14 percent from 1984 and 3 percent from 1983. Cold storage holdings of whole turkeys are up 13 percent from last year. With the larger starting stocks, total supplies in the fourth quarter should be well above 1984. The buildup in stocks implies that retailers expect to move as many or more turkeys in the fourth quarter this year as last, when production and total

stocks were much lower. Supplies of hams, which compete with turkeys during the fall, are up 4 percent.

Prices for commodity packed 8- to 16-pound hen turkeys in the Eastern region averaged 78 cents per pound in the third quarter, up from 72 cents in 1984. Prices continued to strengthen in October and averaged 90 cents, up from 83 cents last year. Wholesale prices may decline in late December and fourth-quarter prices may average 85 to 89 cents, down from 91 last year. With output up in the first half of 1986, prices may average 60 to 64 cents, down from 1985's 65. *Allen Baker (202) 786-1830*

WORLD POULTRY OUTLOOK

U.S. Poultry Trade Faces Increased Competition

In the last half of the 1970's, world poultry meat output grew an average of 7.6 percent per year. These spectacular gains moderated as the industry matured and trading patterns changed, and growth dropped to 2.5 percent per year in 1981-84. In 1985, poultry meat output in the major producers is expected to reach 24.9 million metric tons, up 3 percent. Forecasts for 1986 point to production rising another 2.5 percent, to 25.5 million tons.

Developing countries, particularly in the Mideast, have used poultry meat imports as a quick, relatively inexpensive way of increasing their protein consumption. To fill this demand, several foreign countries have emerged as leading exporters—France, Brazil, and Hungary—and the United States has also increased its exports.

Recently, however, many of the major importing countries, such as Saudi Arabia and Iraq, have been increasing their own production, reducing their need to import poultry and instead importing feed. Thus, while production in the ma-

jor importers has continued to rise, output in the major foreign exporters fell in 1983 and 1984. A small increase in output in the major foreign exporters is likely for 1985 and 1986, but only to cover expected increases in domestic demand.

Saudi Arabia has raised its duty on chickens and other poultry to 20 percent from 10. The higher duty, coupled with increased Saudi domestic production, has sent Brazil and France looking for other customers. The Soviets were a big market for poultry in the early 1980's, but they also have made rapid gains in domestic output and their imports have fallen sharply. Soviet imports may reach only 100,000 tons in 1985—half of what they were 2 years ago.

With shrinking import demand in the Mideast and USSR, exporting countries that had specialized in whole broiler exports are now eyeing the poultry parts market in Japan and East Asia, traditional markets for the United States.

The United States exported 207,000 tons of poultry last year. The vast majority was in the form of broiler pieces—84 percent. The remainder was whole broilers (5 percent), turkeys (6),

and other chickens (5). The United States' major markets in 1984 for broilers were Japan (27 percent), the Caribbean (21), Hong Kong (17), Singapore (13), Canada (7), and Mexico (4).

For January-September 1985, U.S. exports of poultry totaled 154,000 tons, almost 4 percent above the same period of 1984. Broilers, at 139,000 tons, have been surprisingly strong, running 6 percent above last year. Lower prices have helped exports this year. Other chickens have not sold as well as broilers, falling 23 percent to 7,000 metric tons. Turkey meat exports were up 5 percent to 8,000 tons for the first 9 months.

U.S. poultry meat exports to Japan have been down 13 percent in the first 9 months. Japan has been increasing its own output, dampening import demand. Also, Thailand is emerging as a producer for the export market, with Japan as its major customer.

U.S. exports to the Caribbean during January-September were up 6 percent. U.S. exports to Hong Kong, Singapore, and Mexico are also doing well so far this year. [Linda M. Bailey (202) 786-1691]

• Eggs

The recent increase in egg prices has finally resulted in positive net returns for producers. Net returns in 1986 are expected to average higher than this year, possibly near to slightly above breakeven.

Production during September was 1 percent below a year earlier. Through much of 1985, producers tried to cut production by selling their older hens. However, production did not fall off greatly because the remaining hens were younger and thus more productive. In September though, the rate of lay slipped back to the same as a year earlier, indicating that the flock has aged somewhat and may not be as productive as earlier in the year.

During the remainder of 1985 and into 1986, the rate of lay may slip below a year earlier, causing production to decline. To slow any production volume drop in 1986, producers will then keep their old hens longer, decreasing the number of eggs per 100 hens. With the resulting slight decline in the rate of lay, egg production may be 1 percent below a year earlier in both fourth-quarter 1985 and first-quarter 1986.

The number of egg-type chicks hatched in September was up from a year earlier, the first increase in 1985. Since the hatch will likely continue low during the remainder of 1985, egg production in second-quarter 1986 may about equal the reduced level of 1985.

Prices of carton Grade A large eggs in New York averaged 68 cents per dozen in the third quarter, up from 63 cents last year. During the fourth quarter, prices may average 73 to 77 cents, up from 67 last year. With output down from this year and demand possibly improved, prices during first-half 1986 may average 67 to 71 cents, sharply higher than 1985's 61. [Allen Baker (202) 786-1830]

• Dairy

Sales of dairy products surged during the summer of 1985. Commercial use of milk and dairy products was almost 5 percent above the third quarter of 1984. Increases occurred on a broad front; sales of fluid milk, butter, cheese, and frozen products were all up significantly.

The boost was exceptional only in size. Commercial use has been on a fairly consistent and strong uptrend since late 1983. Steadily declining real dairy prices, steadily improving economic conditions, and (more recently) expanded promotion efforts are the roots of the rise. These factors probably will continue to favor dairy product sales in 1986.

Typically, sizable gains in commercial use have been associated with large increases in the sales of butter, American cheese, or both. Thus far in 1985, sales of these two products have lagged behind most other dairy products—only matching last year's levels. An increase in aggregate sales, without a push from American cheese or butter, reflects the breadth of dairy sales strength. The broad increases may be the effect of declining real retail prices. With the fairly constant real prices of the late 1970's, changes in total dairy sales tended to reflect only shifts in demand for individual dairy products.

Commercial use for all of 1985 is now expected to be more than 2 percent higher than 1984 and almost 6 percent above 1983. If 1985 growth reaches this amount, the 1983-85 growth will be the strongest in three decades. The expansion in dairy sales probably will slip a bit in 1986 but remain relatively strong.

Retail dairy prices during the third quarter were up 1.6 percent from a year earlier. The increase from a year earlier was less than the rise for all food prices and only half the increase for overall consumer prices. However, retail dairy prices have not fully reflected declines in farm milk prices. Farm-to-retail spreads have widened considerably in 1985, following several years of very modest increases. Some of this widening of margins may erode in coming months, as retail prices adjust more fully to declines at the farm and wholesale levels. During the rest of 1985, retail dairy prices probably will be stable or slip slowly.

Farmers received an average \$12.50 per cwt for milk in October, down \$1.50 from a year earlier. The decline reflected the support price cuts earlier in 1985 (totaling \$1 per cwt) and the absence of significant seasonal increases in wholesale dairy product prices. In the absence of changes in the support price, the pattern of farm milk prices during the next 6 months will be shaped primarily by seasonal changes in solids content and fluid utilization. The 1985 average milk price is expected to be about \$12.70, down \$.75 from 1984. The price in 1986 will depend heavily on pending legislation.

The 1985 growth in commercial use, substantial as it has been, will not match the increase in milk production. Third-quarter output was up almost 10 percent from a year earlier and 5 percent from 2 years ago. Lower feed prices, the continuing lack of attractive alternatives to dairying, and diminishing effects of the milk diversion program were important factors. The expected increase of 5-6 percent for all of 1985 probably will be followed by a 2-5 percent rise next year.

Government purchases under the price support program were sharply higher for the summer quarter. For all of 1985, price-support removals are expected to be half again as large as in 1984 and equivalent to almost a tenth of total milk marketings. Purchases in 1986 probably will be even larger and may well threaten the 1983 record. [James Miller (202) 786-1830]

CROP HIGHLIGHTS

• Wheat

The 1985/86 marketing year is almost half over, having brought near-record supplies, the slowest export pace in a decade, reduced domestic use, and the lowest prices in 7 years. Farm prices that have sunk 11 percent below the loan rate have encouraged eligible producers to place much of their 1985 wheat under CCC loan.

As of November 1, outstanding loans covered over 672 million bushels of new-crop wheat and 48 million bushels from prior seasons. If prices remain below the loan rate for an extended period—and they may stay low even into the 1986/87 season—a large portion of these loan stocks will likely be added to CCC inventories. Combining these forfeited stocks with another 660 million bushels now in the farmer-owned-reserve program and the nearly 500 million in CCC's current inventory would mean that literally all of the wheat stocks at the end of this season would be isolated from the market.

As free stocks of wheat tightened, harvest-depressed wheat prices posted some gains in October, but they still were below the loan level. Accelerated export sales could help bolster prices in the short run. The longer-term price outlook focuses on 1986 wheat seedings, program participation, and establishment of the 1986 loan rate in the farm bill. For the 1985/86 season, the farm price will likely fall between \$3.00 and \$3.20, below last year's \$3.38 a bushel.

Global wheat production for 1985/86 is forecast at 506.3 million tons, down 7.3 million from last year. Recent good weather in Canada aided harvesting, although moisture levels in the harvested wheat are far above normal. The Canadian Government has approved interest-free loans to producers to help finance drying. Traders estimate that only 15 to 20 percent of 1985/86 Canadian Hard Red Spring wheat will be high quality, down from 50 percent in a normal year.

As the Northern Hemisphere wheat harvest nears completion, attention is turning to the Southern Hemisphere. Brazilian production is expected to reach 3.5 million tons, up more than 80 percent from last year and 10 percent

above the previous record. High domestic support prices encouraged greater plantings last spring, and excellent weather boosted yields.

Production forecasts for Australia and Argentina are higher, reflecting improved weather conditions and yield prospects. However, their prospective production remains below 1984/85.

World trade in 1985/86 is expected to reach 90.6 million tons, down 16 percent from last year. With larger expected supplies in Argentina and Australia and aggressive selling by the EC, export forecasts for these countries were raised in November. Meanwhile, the U.S. estimate was lowered 5 percent to 27.2 million tons, the lowest since 1976/77, because of continued slow commercial sales.

As of November 12, sales under the Export Enhancement Program had already reached 1 million tons of wheat and 175,000 tons of wheat flour, and initiatives to Morocco and Turkey may garner further sales in the coming months. U.S. domestic cash market prices rallied about 20 cents per bushel in October, partly in response to sales to Algeria and future prospects under the program. [Allen Schienbein (202) 786-1840 and Scott Reynolds (202) 786-1691]

• Rice

One-third of the way into the rice marketing year, excessive supplies continue to weaken the market. In 3 of the last 4 years rice output has exceeded use by an average of 23 million cwt. Consumption of rice has also declined. For 1985/86, total use is forecast to reach only 117 million cwt, compared with 151 million for 1981/82. Domestic disappearance for food and beer has remained fairly stable, but exports have fallen at a steady clip.

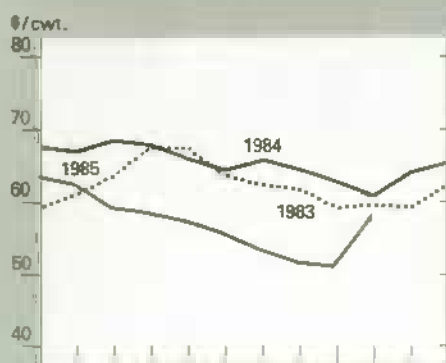
U.S. export markets that expanded in the 1970's have shrunk considerably as more countries have become self-sufficient in rice, and because U.S. rice is expensive relative to other suppliers.

U.S. producers have responded to the decline by lowering production. Since 1981, output has declined from a peak of 183 million cwt to an estimated 132 million in 1985. In 1985/86 production is expected to exceed use by only 15 million cwt.

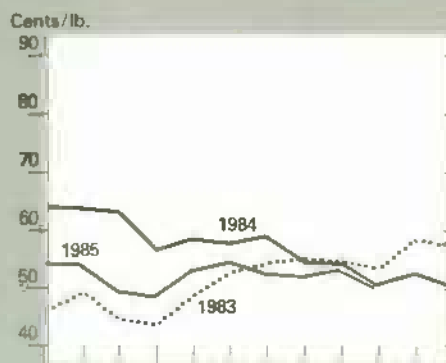
However, the cumulative supply-demand imbalance has caused stocks to balloon. The carryout for 1985/86 is

Commodity Market Prices: Monthly Update

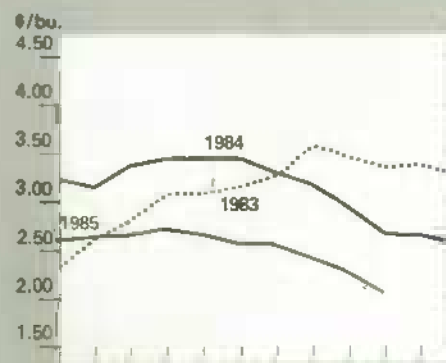
Choice steers¹



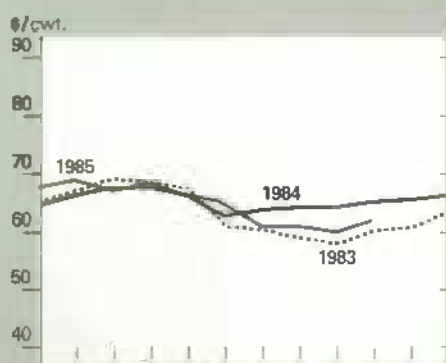
Broilers⁴



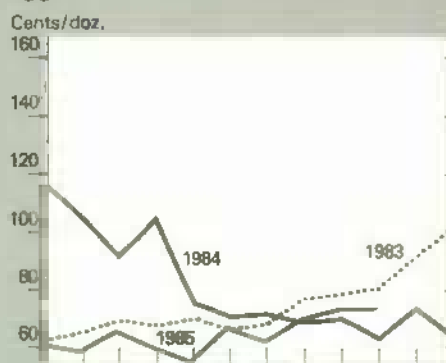
Corn⁶



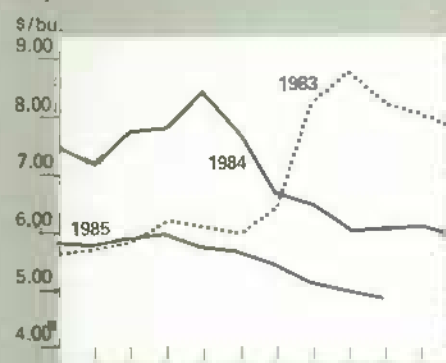
Choice feeder cattle²



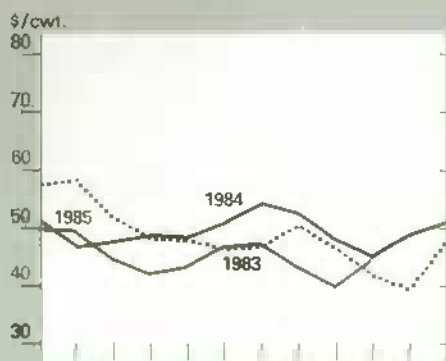
Eggs⁵



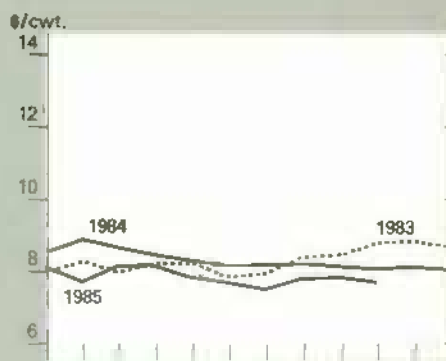
Soybeans⁷



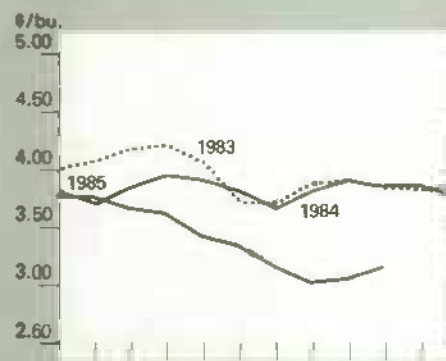
Barrows and gilts³



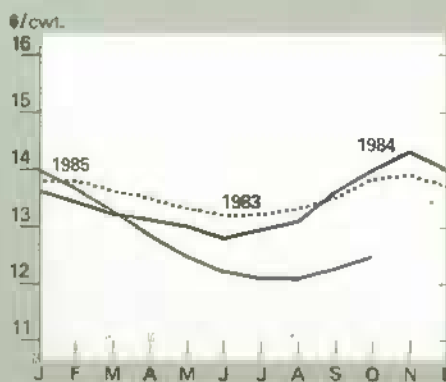
Rice (rough)



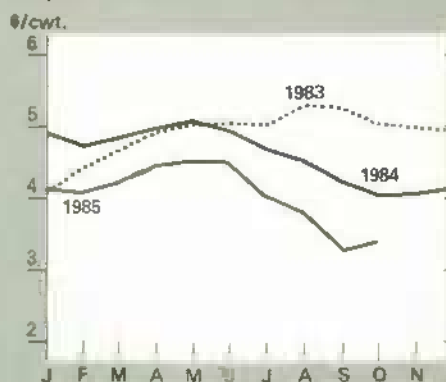
Wheat⁸



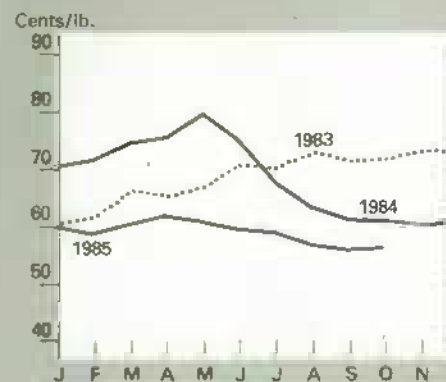
All milk



Sorghum grain



Cotton⁹



¹Omaha. ²600-700 lbs., Kansas City. ³7 markets

⁴Wholesale, New York. ⁵Grade A Large, New York.

⁶No. 2 Yellow, Chicago. ⁷No. 1 Yellow, Chicago.

⁸No. 1 HRW, Kansas City.

⁹Average spot market, SLM 1-16."

forecast at 81 million cwt, compared with 12 million for 1984/85. Thus, rough rice prices are expected to be relatively low, ranging from \$7.75 to \$8.75 a cwt.

Global production in 1985/86 is expected to reach 316 million tons (milled basis), a decrease of 3 million from last year. The 4-million-ton anticipated decline in China's production may be partially offset by increases in output in India, Indonesia, and Thailand. Production may outpace consumption for the second straight year, spelling higher stocks in both the United States and abroad.

Global export prices have been declining rapidly for the past 5 years. Thai export prices, measured in U.S. dollars, have dropped by more than 50 percent since 1980. However, U.S. export prices, supported by the loan rate, have declined less than competitors'. Despite sharp declines in export prices, total world trade has also declined—from 12.7 million tons in 1980 to 11.4 million forecast for 1985 and 1986. In many former importing nations, Government-sponsored programs to promote self-sufficiency have been successful, while retail pricing policies in many nations insulate domestic sales from fluctuations in world prices.

Global rice trade for calendar 1985 likely will reach 11.4 million tons, down 10 percent from last year. Export projections for all three major U.S. competitors—Thailand, Pakistan, and Burma—are lower than last year, because recent sales and shipments have been slow. All of the major competitors, including the United States, will share the burden of reduced world import demand.

The 1985 U.S. export forecast remains at 1.9 million tons, down from 2.1 million in 1984. U.S. rice exports are expected to decline to 1.8 million tons in 1986, while world trade may remain at current levels. The gap between U.S. and Thai export prices will likely remain wide through the first half of 1986. The relative competitiveness of U.S. rice in the second half will hinge largely on loan rates and export policies established by the 1985 Farm Bill.

The first initiative for rice under the Export Enhancement Program was announced on November 8. It will provide

bonuses to U.S. exporters for selling up to 40,000 tons of medium grain milled rice to Jordan. [Janet Livezey (202) 786-1840 and Scott Reynolds (202) 786-1691]

• Feed Grains

U.S. feed grain supplies for 1985/86 are forecast almost 20 percent larger than last season, because of record crops of corn, sorghum, and barley. A 5-percent increase in harvested area is expected; yields for corn and sorghum are record large.

Total use of feed grains is expected to stay the same as last season, as a 7-million-ton drop in exports offsets an equal increase in domestic use. Stocks will balloon to almost 103 million tons, 6 million above the 1982/83 record. Farm prices will generally be lower than last season's averages. Farm corn prices are expected to average \$2.35 to \$2.55 a bushel, compared with \$2.67 in 1984/85.

Although the number of grain-consuming animal units in 1983/84 was about the same as the previous two seasons, tight livestock feeding margins and low wheat prices cut the corn feeding rate substantially. Lower corn prices boosted feeding rates last season and should raise feed use to 4.3 billion bushels in 1985/86.

For 1984/85, corn exports were 1.84 billion bushels, down 27 million from 1983/84. The Soviets took about one-seventh of U.S. corn exports in 1983/84, and almost one-third last season. With sharply lower Soviet imports expected, exports during 1985/86 could fall to 1.6 billion bushels.

The feed and residual use of sorghum dropped 25 percent in 1983/84, because wheat was lower priced on a feed-value basis for most of the season. Feed use rebounded 38 percent last season as sorghum became more price competitive with wheat and the number of cattle on feed rose in the Southern Plains, where most sorghum is grown.

The 1985 situation for sorghum includes a slightly larger carryin coupled with record production that will surpass disappearance. Carryover at the end of 1985/86 will likely be more than 550 million bushels, and prices are expected to fall to \$2.15 to \$2.35 a bushel.

The barley supply for 1984/85 was a record, while the oat supply was one of the smallest ever. Barley farm prices averaged \$2.30 a bushel, compared with \$2.50 in 1983/84. Feed use of oats was lower last season than the year before because of the small supply. Farm prices averaged \$1.71 a bushel, compared with \$1.67 the previous season. The 1985 barley supply is expected to top 1984's record and is forecast at 853 million bushels. A decline in exports means increasing stocks, forecast to rise to 348 million bushels; prices may dip to a range of \$1.95-\$2.15.

Global coarse grain production for 1985/86 is forecast at a record 844 million metric tons. Production of this staggering amount surpasses the previous record (1984/85) by 36 million tons. This crop, coupled with sharply reduced import demand, has swollen global stocks. However, the bulk of the production and stock increases are in the United States; production estimates for most other major producers (USSR, Western Europe, China, Argentina, South Africa) are high, but not records.

Early November rainfall has greatly eased a period of dryness in some sections of the South African Maize Triangle, particularly the Orange Free State and the eastern portion of the Transvaal. Although some plantings were delayed by the dry conditions, production prospects are the best in the last several years. Export prospects, as a result, are significantly improved; corn sales may reach 1 million tons in 1985/86. In Argentina, estimates for corn area were increased recently, but the sorghum estimate declined.

Global coarse grain trade for 1985/86 is estimated at about 92 million tons, down about 9 percent from a year earlier. Dry conditions in southern Europe have hurt forage conditions, increasing domestic demand for feed grains. This alone has boosted prices in Spain high enough to eliminate barley export subsidies for now. Second, the Soviet Union has again entered the EC grain markets—recently buying over 1 million tons of barley and a substantial amount of wheat. [David Hull (202) 786-1840 and James Cole (202) 786-1691]

• Oilseeds

Soybean prices (Central Illinois) ranged between \$5.04 and \$5.12 a bushel during the first half of November, after averaging \$4.83 a bushel for October. The bumper 1985 crop, coupled with only modest rises in forecast 1985/86 use, is depressing prices.

Soybean meal prices have continued the gradual climb that began in late summer. Prices through the first half of November ranged between \$131 and \$142 a ton. Domestic disappearance of soybean meal is expected to climb 2 percent in 1985/86 to 18.0 million tons, because of increased broiler and hog feeding. Soybean meal prices are forecast between \$120 and \$150 a ton in 1985/86.

While soybean meal has shown some strength, soybean oil prices have plummeted. Vegetable oil markets in general have been under price pressure since summer. Ample supplies of competing fats and oils, particularly palm and corn oil, contributed to the fall in U.S. prices. Soybean oil prices are forecast to range from 20 to 24 cents a pound for 1985/86.

With a bumper crop and demand showing only modest growth, soybean stocks are expected to soar to a record 615 million bushels by season's end. The resulting stocks-to-use ratio, 33.6 percent, would be the second highest on record, and the highest in 17 years. By the end of the season, CCC-owned stocks and stock under loan could reach 465 million bushels, also the highest in 17 years. The season-average price for 1985/86 is forecast to range from \$5.00 to \$5.30 a bushel.

World oilseed production in 1985/86 may increase 8.5 million tons, following a 23-million-ton rise in 1984/85. Eighty-six percent of the gain will stem from the rise in U.S. soybean output. Last year, the United States was responsible for just over one-fourth of the production gains. Most of the gain in foreign output will occur in rapeseed and sunflowerseed, primarily because of higher yields; production has increased about twice as fast as area in recent years.

In the Southern Hemisphere, soybean planting in Brazil and Argentina is now underway. Analysis of the Brazilian agricultural situation shows soybean area there may decline slightly. However, dry weather during planting of grain

and soybeans may favor more soybean area than was earlier expected.

World trade in soybeans could rise slightly in the new crop year, and the United States could be the main beneficiary. If Brazil's soybean production declines as expected, U.S. soybean exports will fill the gap, especially in the EC. However, U.S. soybean exports, projected at 18.4 million metric tons, will still be well below the 1982/83 record despite the large gain over last year. U.S. soybean meal exports are also likely to increase from last year's sharply reduced level.

Demand for soybeans and soybean meal in the Soviet Union has had a profound impact on world markets because the Soviets' seemingly impulsive buying patterns can create a bullish market. Recent reports indicate that the USSR may have purchased some Brazilian and EC-origin soybean meal.

In 1985/86, the increase in world vegetable oil use may slow to only 3 percent. The largest gains will be in palm and rapeseed oils. Palm oil production is expected to peak in October-December. Malaysia's monthly output for October likely exceeded last year's record. Declines in cottonseed oil output, especially in China, may lead to a decline in its use. World soybean oil use may remain nearly the same as last year.

India, the largest consumer of vegetable oils, could slow its rate of expansion in use. India slowed imports in the last half of 1985 because of good domestic supplies and sharply reduced pressure on internal prices. This slowdown is a major factor contributing to tumbling oil prices. [Roger Hoskin (202) 786-1840 and Jan Lipson (202) 786-1691]

• Cotton

The Outlook A index, a measure of prices asked for high-quality cotton delivered to Northern Europe, dropped more than 12 cents a pound during July-October 1985. The B index, a measure of lower grade cotton prices in Northern Europe, also dropped. But prices for U.S. cotton, supported by the loan rate, did not match the decline. Consequently, the A index/U.S. price ratio averaged 0.71 in October—the lowest since the A index was first calculated in 1966. U.S. cotton exports are suffering as a result, and the export forecast for 1985/86 is a disappointing 3.5 million bales.

The decline in foreign prices and U.S. exports reflects several factors. First, foreign ending stocks will reach a record 43 million bales in 1985/86. Most of the increase is occurring in China, where ending stocks are expected to rise 5 million bales to 25 million. China is responding by attempting to increase exports.

Second, even if stocks in China are subtracted from the foreign total, ending stocks are expected to equal 36 percent of foreign mill use in 1985/86. During 1982/83 and 1983/84, stocks in foreign countries other than China averaged 31 percent of their cotton consumption, but the stocks-to-use ratio in those countries rose to 37 percent last season. These foreign countries are again trying to move their stocks-to-use ratios lower—by boosting exports.

Third, the fear that U.S. cotton prices will decline during 1986/87—because of the lower loan rates called for in versions of the 1985 farm bill pending in Congress—is prompting foreign cotton exporters to make extraordinary efforts to divest themselves of inventories. At the same time, cotton buyers are watching the farm bill debates with equal interest, and they are avoiding the purchase of more cotton than absolutely necessary.

Nobody wants to be left holding stocks at the end of this season, because of the possibility that the value of those stocks will depreciate. This results in low world trade, with exporters having to offer lower and lower prices to effect sales, and the U.S. unable to maintain its traditional share of foreign markets.

The 1985/86 world outlook points to large but declining production, small gains in use, and a marginal decline in import demand. Foreign production, despite an expected 9-percent decline from 1984/85, will continue to exceed use, and another 5 million bales will be added to foreign stocks. International prices have declined sharply in recent months and are expected to remain weak.

Foreign production for 1985/86, at 68 million bales, is forecast to be down 6 million from last year, with most of the

1985 Cotton Prices in Northern Europe

Month	A Index 1/	B Index 2/	U.S. Memphis territory 3/	U.S. Texas/Oreans 4/
Dollars per cwt				
July	61.10	48.98	70.38	60.50
August	56.97	47.03	68.20	60.90
September	53.43	45.35	67.94	61.00
October	49.01	43.61	68.56	61.69

1/ C.i.f. Northern Europe, middling 1-3/32 inches. 2/ C.i.f. Northern Europe, coarse count. 3/ C.i.f. Northern Europe, Memphis territory middling 1-3/32 inches. 4/ C.i.f. Northern Europe, Texas/Oreans SLM 1 Inch.

reduction coming from a drop in area and yields in China. However, dry weather and low prices have taken their toll on production in several other countries.

Brazil produced 4.2 million bales last year on 2.35 million hectares. Poor price prospects for 1985/86 and production loans favoring other crops are expected to cause area there to drop 10 percent or more. In addition, dry weather at planting meant much of the cotton had to be reseeded, so yield prospects were reduced.

Pakistan also suffered from a dry spell at sowing time, but area may only drop 140,000 hectares from 1984/85's 2.34 million. Also, timely rains since sowing have provided adequate water for irrigation. Thus, yields are expected to be near last year's level. Australian cotton yields, on the other hand, are expected to drop sharply from 1984/85's record, but still be relatively large.

While the major foreign exporters as a group are expected to produce less in 1985/86, large carryin stocks will result in supplies more than sufficient to meet stagnant import demand. Foreign mill use is expected to grow around 4 percent, but the growth will be concentrated in the USSR, China, Egypt, Pakistan, and India, and will be supplied domestically. Mill use in the major Asian raw cotton importers—South Korea, Japan, Taiwan, and Hong Kong—is expected to decline. Their textile exports have been hurt by increased competition from cheaper Chinese and Pakistani textiles.

Competition among world cotton exporters could be even more intense next season than now, since beginning stocks in 1986/87 will be larger than in 1985/86.

Further, the possibility of lower U.S. loan rates could make U.S. cotton more competitive in international markets. Foreign production may decline in 1986/87, but foreign supplies will probably be higher because of the large carryin. China is continuing to develop export capacity. Foreign cotton consumption will probably rise during 1986/87, but slow world economic growth and importers' efforts to inhibit trade in textiles will keep a lid on that rise. [Terry Townsend (202) 786-1840 and Gerald Rector (202) 786-1691]

• Tobacco

As of November 1, U.S. tobacco output was forecast at 1.53 billion pounds, down 12 percent from 1984 because of reduced acreage. Flue-cured sales ended November 7. Auction prices averaged \$1.72 per pound, compared with \$1.81 a year earlier. In addition, USDA authorized the Stabilization Corporation to offer buyers of this year's crop a 10-cent-per-pound rebate from the No-Net-Cost Tobacco Fund as the tobacco was sold.

Another 15-cent rebate on all purchases has been authorized for the end of the marketing season if buyers purchased at least 650 million pounds of the 1985 flue-cured crop and at least 125 million of 1976-84 flue-cured loan stocks. Since the trade purchased about 660 million pounds of flue-cured tobacco, the first criterion has been met. The requirements on the loan stock purchases are as follows:

- For 30 days (November 18 through December 23) after the conclusion of the 1985 flue-cured marketing season, Stabilization will offer all of its old-crop inventories at discounts from the October 29, 1984, base prices. The discounts will be 90 percent for the 1976-81 crops and 10 percent for the 1982-84 crops.

- Purchases must be divided between the newer (1982-84) and older (1976-81) crops on a 2-for-1 basis. That is, for every pound of old-crop tobacco bought at a 90-percent discount, 2 pounds of newer crop tobacco must be purchased at the lesser discount.
- Total purchases under the incentive discount program must be prorated over all grades, types, and crop years in the inventory at the time of the offering.

The burley crop is forecast 15 percent smaller than last year's crop. Smaller crops are also forecast for Maryland, fire-cured, dark air-cured, and cigar tobaccos. [Verner N. Grise (202) 786-1840]

• Fruit

Since June, the index of grower prices for fresh and processing fruit has been sharply below a year earlier, because of lower apple and orange prices. The October index stood at 186 (1977 = 100), down slightly from September and 35 percent below a year earlier. Prices were down for grapefruit, oranges, and strawberries.

The index is expected to decline further through the early winter because of seasonal increases in supplies of apples and citrus. However, noncitrus prices are likely to remain relatively high, with supplies of apples and pears smaller than last year and demand stable.

Grower prices for fresh oranges are expected to average below last year's unusually high level because supplies of California navel oranges are likely to be 15 percent greater than last season. In contrast, lemon prices may go substantially above a year ago because of the smaller crop and rising demand. Demand for grapefruit has been good. Movement of most processed grapefruit products has been strong and ending stocks are below last season. Export markets for fresh grapefruit may improve somewhat if the dollar continues to moderate.

Wholesale prices of most canned fruit have been higher than a year ago. Although the pack is expected to be down for some canned fruit, increased carryin stocks will result in larger supplies for other fruits. To stimulate sales, packers have reduced prices for some items. The October producer price index for canned fruit was 276.9 (1967 = 100),

down slightly from September but still slightly above a year earlier. If demand does not improve substantially, larger supplies may weaken prices further.

Barring a repeat of last season's freeze, the large orange crop and higher juice yield will result in increased output of frozen concentrated orange juice (FCOJ). The bigger pack, combined with the prospective stock increases going into 1985/86, will result in significantly larger domestic supplies in 1985/86 than last season. Because of slow movement and larger stocks, f.o.b. prices of FCOJ have been cut twice this season. They now stand at \$4.60 per dozen 6-ounce cans, compared with \$5.04 a year ago.

Imports of FCOJ into Florida, mostly from Brazil, have been behind last year's pace, but still relatively large. Imports are expected to remain large during 1985/86 and FCOJ prices may weaken further if movement remains sluggish.

Increased supplies of apples and oranges in 1985 have weakened retail prices of fresh fruit. The September Consumer Price Index for fresh fruit was 368.5 (1967 = 100), 2 percent below August and only slightly above a year earlier. Retail banana prices in September advanced slightly from August, but were only moderately above a year earlier. Increased imports and seasonally larger supplies of apples and oranges are likely to weaken banana prices. Consequently, retail fresh fruit prices are expected to fall during the early winter.

Reflecting higher retail prices of FCOJ, retail prices of processed fruit have been averaging moderately greater than a year ago. However, the September CPI for processed fruit declined slightly from August to 169.5 (1977 = 100). It stood 4 percent above a year earlier. Since f.o.b. prices of some canned fruit and FCOJ have been reduced recently, retail prices of processed fruit may fall somewhat, but they are still likely to remain moderately above a year ago. [Ben Huang (202) 786-1766]

• Vegetables

Potato farmers have harvested an estimated 346.1 million cwt this fall, the largest crop ever. The record output resulted from a 4.8-percent increase in acreage and a 5.5-percent improvement in yields over 1984. Idaho expanded acreage 6.2 percent and harvested 100.9 million cwt, leading all other States. Though the Idaho crop was first reported damaged by cold nights in early October, average yields are estimated up 9.8 percent.

The fall potato crop estimate, added to larger production earlier in 1985, pushes the estimate of 1985 production to 400.4 million cwt, 9.2 percent above the previous record, set in 1978. Potato farmers have faced sharply lower prices throughout most of fall 1985, and because of larger stocks, prices during first-half 1986 will stay lower than last season. The USDA estimate of grower prices in October, \$3.76 per cwt, suggests that the 1985/86 season-average price will be 25 to 30 percent below the \$5.69 for 1984's crop.

Depressed prices and lower total cash receipts from the 1985 fall crop have been ensured by weaker processor demand than in 1984. Processors increased frozen potato stocks only 17 percent in September 1985, compared with 24 percent in September 1984. Processors are demanding fewer potatoes because this season's carryin stocks were larger than 1984/85's. Potato chipper demand is also weaker; shipments dropped 8 percent this season.

USDA's November estimate of 1985 dry bean production is 22.1 million cwt, 6 percent above 1984. However, delays due to cold, wet weather in Nebraska, Colorado, and North Dakota will likely reduce the final harvest. The quality of the crop—especially pintos and Great Northerns—has also been hurt.

Large supplies of navy beans have dropped Michigan f.o.b. dealer prices during October to \$17 per cwt from \$25 last year. Prices for California beans, especially limas, blackeyes, and kidneys, are also down, as financially pressed farmers move a large crop to market. Colored bean exports are expected to increase, since Mexico will likely need additional supplies later this year. The delayed harvest, anticipation

of improved exports, and USDA purchase tenders have pushed October's f.o.b. dealer prices for pinto beans to \$24 per cwt, a substantial increase from last year's \$19.

October's average dry bean grower price of \$17 per cwt indicates a 1985/86 season average price of \$17.50. However, given the current strength of pinto and Great Northern prices, and the likelihood that 1985/86 exports will hit 6 million cwt, season average prices could reach \$19.

For tomatoes, processing production will likely reach just over 7 million tons in 1985, about 7 percent below 1984. A smaller pack of processed tomato products will tend to raise prices, and with lower production forecast in Italy, one of the United States' main competitors, prices may turn up following 2 years of downward movement.

The 1985/86 supplies of other major items—canned corn, peas, and green beans—are likely to be in better balance during 1985/86, after processors adjust production to their carryin inventories. Favorable weather for growth of corn, peas, and green beans allowed most contracts to be filled in the Midwest and West. [John Love and Neil Conklin (202) 786-1767]

• Sugar

World sugar prices (f.o.b. Caribbean, Contract No. 11) averaged 4.94 cents a pound in October, down 4 percent from September. Prices had risen rapidly in September because of world production cutbacks and a large U.S. import quota. The October world price was 20 percent above a year earlier, as production for 1985/86 was forecast below consumption for the first time in 4 years. However, further advances in world prices will be hampered by large world stocks.

The nearby futures price for raw sugar in the U.S. market averaged 18.68 cents a pound (c.i.f. New York) in October, down 4.3 percent from September, reflecting the large supplies available and expectations of continued large stocks. While 1985/86 domestic production is

little changed from last season, the import quota is larger than anticipated. Also, domestic consumption is likely to decline about 100,000 tons, to 7.9 million tons, raw value.

The national average retail price for sugar was 35.4 cents a pound in September, the same as in August but 3 percent below a year earlier. Because of the decline in domestic raw sugar prices, retail prices should experience little upward pressure in the next few months.

The CCC—which held sugar stocks of 389,500 tons, raw value, as of October 1—had two sales in October. On the 16th, the CCC sold slightly over 20,000 tons of refined beet sugar, and on the 28th, 9,300 tons. In both cases the sugar was sold at or very close to CCC's minimum acceptable bid. CCC still holds 50,600 tons of refined beet sugar in Colorado and Kansas and 303,700 tons of raw sugar in Florida.

Over the first 9 months of 1985, the Consumer Price Index for 14 sugar-containing products rose 2.0 percent and averaged 3.6 percent higher than the same period a year earlier. These increases were dampened by lower prices in the sugar and artificial sweeteners component, which fell 0.1 percent over the first 9 months of the year and averaged 0.5 percent lower than the same period a year earlier.

The November *Crop Production* report estimates 1985/86 U.S. sugar beet area for harvest at 1.098 million acres, marginally higher than last year. Higher acreage in eight States more than offset a large drop in Colorado, no production at all in Kansas, and somewhat lower acreage in three other States.

The average U.S. beet yield is forecast at 20.5 tons an acre, up 1 percent from 1984/85. Given average sucrose recovery, beet sugar production would be 2.9 million tons, raw value, the same as in 1984/85.

Sugarcane acreage for harvesting and seed was estimated at 758,000 acres, up 1 percent from a year earlier. Given current yield estimates and average sucrose recovery, cane sugar production

would be 2.92 million tons, raw value. However, production could be lower if damage done to the Louisiana crop by Hurricane Juan significantly reduces yields and acres harvested. [David Harvey (202) 786-1769]

Upcoming Crop Reporting Board Releases

The following list gives the release dates of the major Crop Reporting Board reports that will be issued by the time the January-February *Agricultural Outlook* comes off press.

December

- | | |
|----|----------------------------|
| 2 | Egg Products |
| | Poultry Slaughter |
| 3 | Dairy Products |
| 5 | Celery |
| 10 | Crop Production |
| 12 | Turkey Hatchery |
| 13 | Potato Stocks |
| | Milk Production |
| 19 | Catfish |
| 23 | Eggs, Chickens, & Turkeys |
| | Hogs & Pigs |
| | Cattle on Feed |
| | Cold Storage |
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World Agriculture and Trade

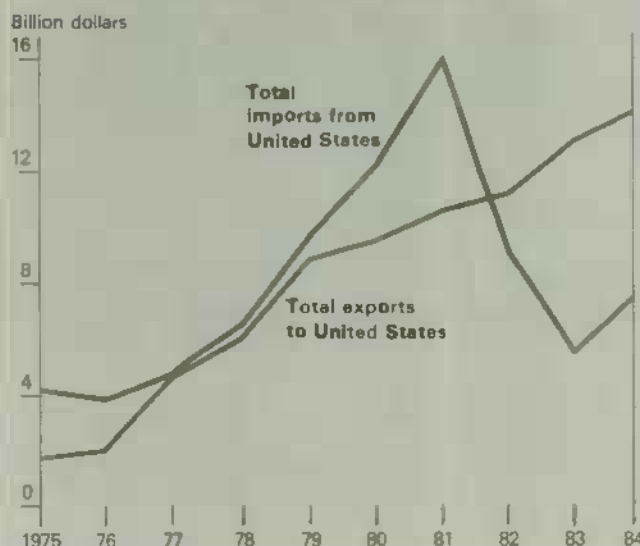
MEXICO'S MOVES TO LIBERALIZE TRADE

The United States is the largest single buyer of Mexico's farm exports. In turn, Mexico's imports of several basic commodities come mainly from the United States. This trade relationship has been marked by some Mexican trade barriers, both tariff and nontariff. Recently, though, the Mexican Government has moved to liberalize some agricultural trade restrictions.

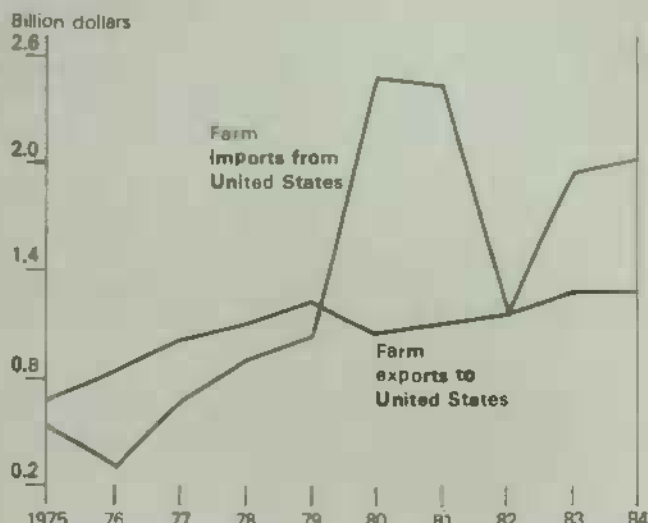
In the last two decades, agricultural trade between the United States and Mexico has shown impressive growth. The value of U.S. farm exports increased from slightly under \$60 million in the early 1960's to a peak of \$2.5 billion in calendar 1980. Meanwhile, U.S. agricultural imports from Mexico grew from less than \$300 million a year to over \$1 billion after 1975.

Much of the trade growth between the U.S. and Mexico reflects the economic expansion resulting from Mexico's oil boom in the late 1970's. Mexican imports have declined somewhat since the early 1980's, because of debt problems, several major peso devaluations, and policies aimed at grain self-sufficiency. Nevertheless, the trade remains substantial.

Heavy Debts Temper Mexican Imports of U.S. Products



...While Mexican Agricultural Exports to United States Are Steady



U.S. exports dominate the Mexican import markets for grains, oilseeds, and livestock. Despite increasing competition from Argentina, Australia, and Canada, the United States last year sold Mexico \$703 million worth of grain. The Mexican oilseed market is shared with Argentina and Brazil, but the United States normally supplies 70 to 90 percent. The United States is the major supplier of both oil meals and vegetable oils. Of Mexico's large farm import categories, only dairy is dominated by other suppliers, principally the European Community, Canada, and New Zealand.

Livestock Trade Moves in Both Directions

Some commodities are traded in both directions. A case in point is cattle: Mexico imports breeding cattle from the U.S. and the U.S. imports feeder cattle from Mexico. Mexican tallow and hide imports come almost exclusively from U.S. sources. The United States also exports a considerable amount of animal feedstuffs.

Although its importance has fluctuated, the United States remains the principal foreign market for Mexican agricultural exports. Over one-fourth of the flow of Mexican farm goods to the United States provides items not produced domestically, such as coffee. Other Mexican exports compete directly with U.S. production, such as fresh winter produce. Mexican exports currently provide about 7 percent of U.S. agricultural imports. In most years, Mexico has been among the top four U.S. suppliers, after Australia, Brazil, and Canada.

Mexico Is Most Favored Nation And Also Qualifies for GSP

U.S. agricultural trade relations with Mexico are based on the general guidelines provided by international commodity agreements and multinational trade agreements such as the General Agreement on Tariffs and Trade (GATT), even though Mexico is not currently a signatory. The two countries have also made several annual supply agreements covering Mexico's purchases of U.S. grains, oilseeds, and nonfat dry milk.

Mexico enjoys most-favored-nation trading status with the U.S., minimizing tariffs. In addition, as a developing country, Mexico qualifies for the Generalized System of Preferences (GSP). The GSP allows duty-free entry of a commodity under two conditions: if imports of the commodity fall short of a fixed dollar value, or if imports account for less than 50 percent of the U.S. market. In 1984, \$62 million worth of Mexican agricultural exports entered the United States under the GSP program. Most Mexican exports of horticultural products, however, are not covered by the GSP because they exceed the 50 percent limit during the winter season.

U.S. Promotes Exports To Mexico

The United States promotes agricultural exports to Mexico. U.S. policy has facilitated Mexico's imports of grains and oilseeds since 1980. Initially, USDA held public tenders, informed U.S. exporters of Mexican market opportuni-

ties, and helped resolve shipping problems. More recently, export credit guarantees have enabled Mexico to obtain financing from U.S. lenders. However, competitive prices from other exporters, combined with the Mexican Government's desire to diversify suppliers, has led Mexico to shift some of its grain and oilseed orders to other countries, notably Argentina, Australia, Canada, and Brazil.

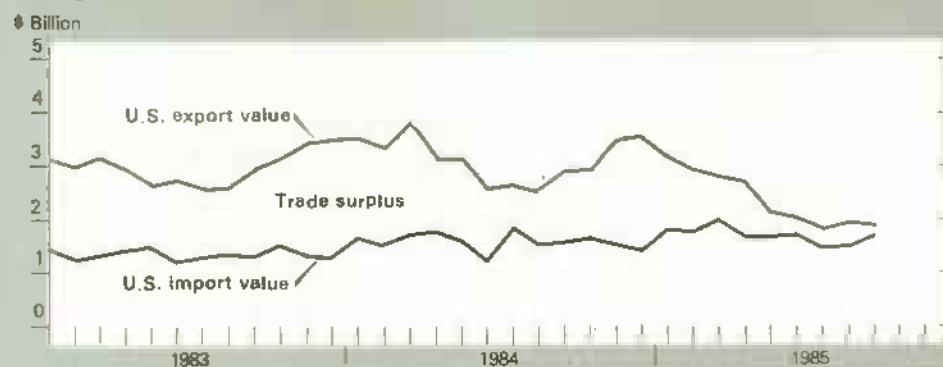
Traditionally, Mexico has taken a strong protectionist stance in international trade in order to promote national development. The domestic economic policies of the Mexican Government are set out in a series of detailed national plans for every sector of the economy. National food self-sufficiency is seen as an important goal. Thus, exports are not allowed until domestic consumption requirements have been met; imports have not been allowed unless they meet domestic needs.

No facet of Mexican economic policy is more hotly debated than agricultural policy. The political necessity of providing cheap food to the urban poor while maintaining income for poor farmers pervades agricultural policy. In addition, food price policy has been a tool of industrial policy; by subsidizing basic food consumption, the Government has held wages down and provided cheap labor to industry.

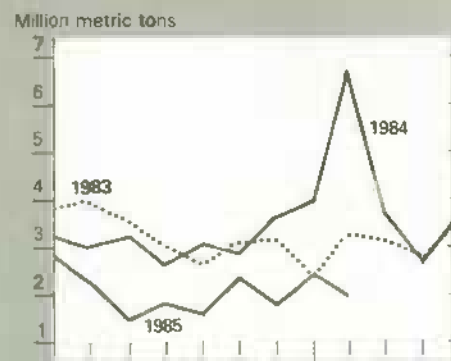
Meeting these diverse policy objectives has resulted in Government participation in all aspects of food production,

U.S. Agricultural Trade Indicators

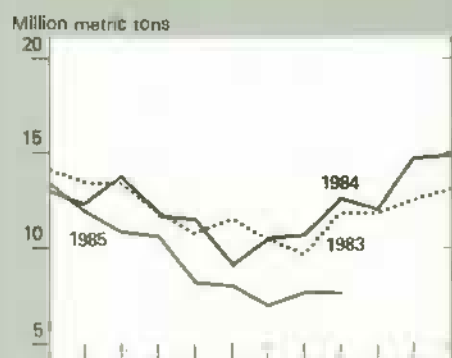
U.S. agricultural trade balance



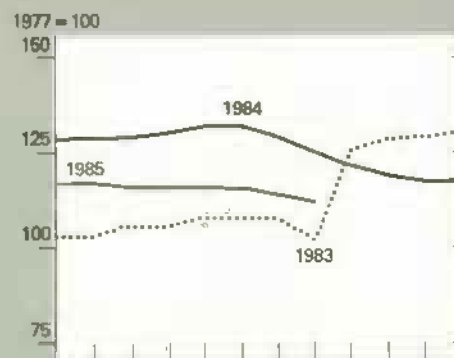
U.S. wheat exports



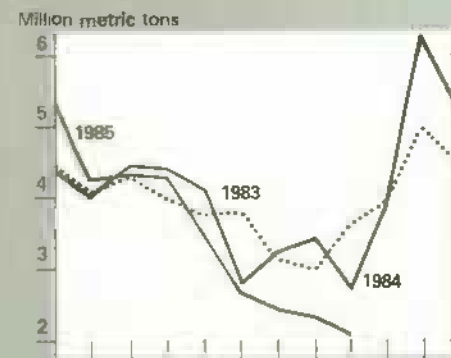
Export volume



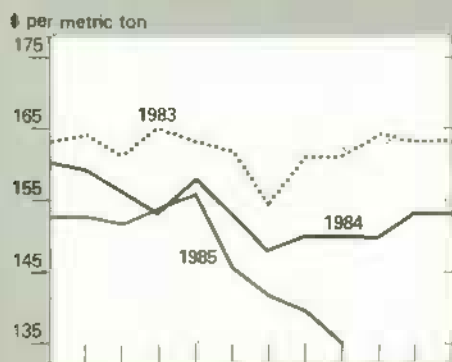
Export prices



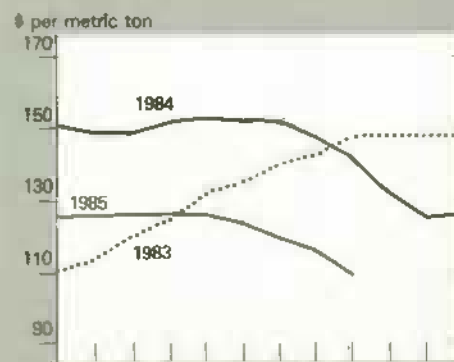
U.S. corn exports



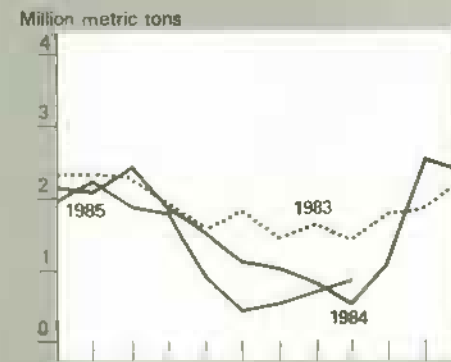
Wheat export unit value*



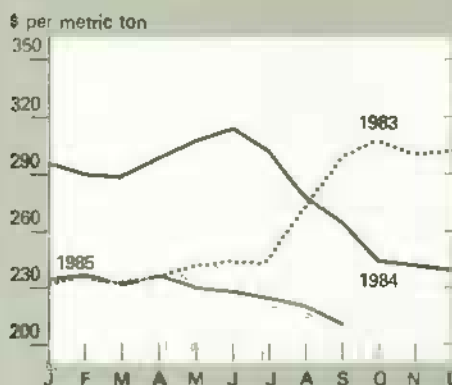
Corn export unit value*



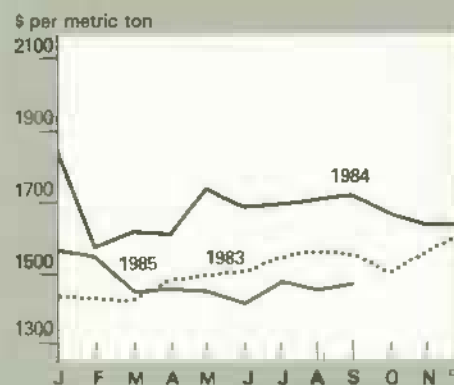
U.S. soybean exports



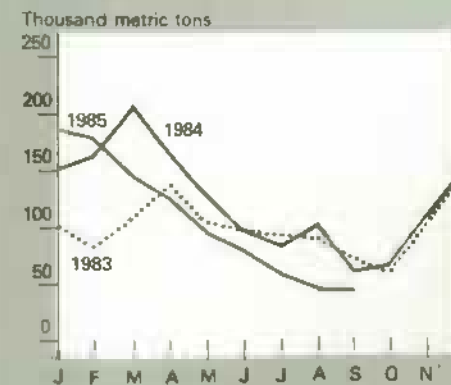
Soybeans export unit value*



Cotton export unit value*



U.S. cotton exports



*Value of U.S. exports divided by volume exported. Data on the wheat, corn, soybean, and cotton exchange rates are now included in the U.S. Agricultural Trade tables at the back of this issue.

Changes in Mexico's Tariffs and Import Permit Requirements

Commodity	Old tariff	New tariff	Exempt† from import permit
		Percent	
Livestock			
Live animals	0-50	20-50	yes
Red meat	10	25-50	yes
Hides and skins	5-25	10-20	yes
Visceras (offals)	0-100	25-50	yes
Tallow	5	0	no
Animal fats	0-10	25	yes
Dairy			
Fresh milk	0	25	yes
Nonfat dry milk	na	na	no
Other milk	0-5	25	yes
Butter	0-10	25-50	yes
Eggs	5	40	yes
Fruits and nuts			
Almonds	25	25	yes
Filberts	25-50	25-50	yes
Pistachios	50	50	yes
Apples	na	40	no
Pears	na	40	no
Peaches	na	50	no
Table grapes	na	50	yes
Other			
Soybean meal	5	5	yes

consumption, and trade. Intervention ranges from guaranteed producer prices and consumer subsidies, to Government ownership of grocery stores, wholesale distributors, milk processing plants, and feed mills. Imports are largely viewed as an extension of these policies and, until recently, have been handled almost entirely by the Government.

Import License Requirement Dropped for Several Commodities

In order to control trade, Mexico has required import and export permits on an exhaustive list of products. But during the summer of 1985, in an effort to encourage more trade, the nation reduced some of its own import barriers by extending the list of products which are exempt from import licensing requirements.

The main agricultural commodities which can now be imported into Mexico without prior authorization are beef, offals, hides and skins; some live animals; dairy products such as butter, fresh milk, and canned milk products; and some nuts (see the accompanying table). Import permits are still required, however, for grains and oilseeds, vegetable

oils and meals, nonfat dry milk, and tallow—products which account for three-quarters of Mexico's agricultural imports.

Higher Tariffs May Offset Benefits of Licensing Change

U.S. livestock exporters are likely to benefit from the recent policy changes. The Mexican livestock concession follows several years of effort on the part of U.S. trade negotiators. Mexico's imports of dairy products may also increase since licensing is no longer required.

However, some tariff rates on livestock and dairy products were increased at the same time that permits were eliminated—a policy change that could partly offset the effects of fewer nontariff barriers. Furthermore, the EC and other countries have been the traditional suppliers of dairy products and are expected to remain strong competitors. The U.S. also supplies most of Mexico's nonfat dry milk imports, but permits are still required for those.

Despite the trend towards fewer nontariff barriers, the essential foodstuffs such as grains and oilseeds apparently will be among the last to be exempted from permit requirements. For many basic agricultural commodities, Mexico uses the permit system as an import barrier behind which it can maintain producer prices above world price levels. Although subsidies to grain and oilseed producers have been reduced from their 1981-82 peak, Mexican agricultural policy continues to stress increases in domestic food production.

Private Companies Handle More Trade

In addition to its permit policy change, Mexico has embarked on a program of increasing the role of the private sector in domestic and international markets. The state-owned marketing company, CONASUPO, is relinquishing its monopoly over many important agricultural imports.

Until recently, CONASUPO had been the sole organization to receive import licenses for grains, oilseeds, and other essentials such as nonfat dry milk. Although licenses are still being required and strictly controlled, many are now being issued to private companies. Private companies are beginning to participate in trade both directly and through industry associations. Oilseed associations have already begun to import significant quantities and grain associations are preparing to follow suit.

The private sector's interest in lower import costs may help reduce import barriers further. Increased private-sector involvement should also encourage more competitive offers from suppliers. To help maintain the U.S. position in Mexico's agricultural market, the United States requested and the Mexican Government has granted the use of GSM-102 export credits to the Mexican private sector.

U.S. Grants Countervailing Duty Rights to Mexico

Last April, Mexico signed an agreement with the United States to eliminate export subsidies in exchange for giving Mexico the right to the "injury test" in U.S. countervailing duty investigations. In the injury test, U.S. courts decide whether domestic producers are indeed being harmed by an import before imposing duties on the imported item.

In the last 10 years, there have been a half-dozen disputes over the sale of Mexican agricultural products in the United

States: on asparagus, honey, textiles and products, fresh winter vegetables, and leather wearing apparel. The United States imposed a countervailing duty in only the leather apparel case. U.S. courts have to date ruled in Mexico's favor in the fresh winter vegetable cases. The "injury test" tradeoff, however, could help reduce the number of cases brought by U.S. producers because of the difficulty of proving injury.

Despite Progress, Mexico Is Unlikely To End Protectionism

Mexico has also agreed to work on developing a GATT-like bilateral agreement with the United States. Such an accord could be interpreted as a large step towards Mexico's formal participation in the GATT and away from its historically strong stance of autonomy over trade and domestic policy decisions.

If Mexico does eventually join the GATT, it will be required to further reduce its protection of domestic industries in order to increase its access to other countries' markets. Although U.S. industrial and agricultural exports might benefit from still less restrictive import laws, Mexico's joining the GATT might also strengthen its trading ties with other countries.

With its history of protectionist policies, the Mexican Government is not likely to rapidly expose its domestic industry and agriculture to the vagaries of the world market. While substantial progress has been made towards opening the Mexican market to international trade, there still remain other barriers to the trade liberalization process. [Nicole Ballenger (202) 786-1667 and Myles Mielke (202) 786-1662]



Farm Income

1985 UPDATE

The U.S. farm economy is expected to remain sluggish through the first half of 1986, as both 1985 net farm income and net cash income register declines from 1984. Falling commodity prices have likely held total 1985 cash receipts below 1984, despite stronger open-market sales and large CCC loan placements. Crop cash receipts for 1985 should total just below 1984, while livestock receipts fall well below last year because of marked declines in red meat and poultry/egg receipts.

Total direct Government payments likely matched last year despite the end of PIK entitlements early this year. Large direct cash payments will continue into 1986 because of depressed commodity prices and strong production. Advances on those deficiency payments for 1985 crops, which would normally be disbursed in early 1986, will enhance 1985 cash income at the expense of 1986.

Farm-related income (including machine hire and custom work, forest product sales, and other miscellaneous cash sources) has likely remained near 1984, while nonmoney income has fallen somewhat. The 4- to 8-percent drop in 1985 total gross income should be tempered by the expected decline in production expenses.

Net Farm Income Likely To Be \$25 to \$29 Billion

Net farm income is expected to range between \$25 and \$29 billion, down from an estimated \$34.5 billion in 1984. Real net farm income (\$1972) is forecast at \$11 to \$13 billion, compared with \$15.5 billion in 1984. Net farm income is the amount of income generated from a given calendar year's production, regardless of whether the commodities are sold, fed, or placed in inventory during the year. The anticipated drop in net farm income can be attributed in part to declining livestock receipts and inventories.

Net cash income, the difference between gross cash income and cash expenses, is expected to be even to slightly higher than 1984's \$39.2 billion. The current forecast for 1985 is \$37 to \$41 billion. This is \$16 to \$18 billion in real terms, down from \$17.5 billion in 1984. Meanwhile, net cash flow—the cash available for business operation, real estate and machinery purchases, and household consumption—has fallen off significantly from last year.

CCC Loans May Account for A Tenth of Crop Receipts

Total cash receipts in 1985 have likely declined 2 to 4 percent, following a 4-percent jump in 1984. Crop receipts are forecast to be down slightly because crop prices will average more than a tenth below last year. Lower third- and fourth-quarter prices are likely resulting in increased use of CCC loans, which could total \$6 to \$9 billion, accounting for 10 to 13 percent of total crop receipts for the year. This compares with net CCC loan values of minus \$0.8 billion for 1983 and minus \$0.7 billion for 1984. Near-record production and lower export volume could edge fourth-quarter net CCC loan activity close to the fourth quarter of 1982, when over \$6 billion in commodity loans were placed.

Cash receipts for food grains this year are likely to be down a bit, as slightly higher wheat receipts are offset by lower rice receipts. Average calendar year prices for both wheat and rice are expected to be down this year.

Farm Income and Cash Flow, 1981-85

Item	1981	1982	1983	1984	1985f
Billion dollars					
Farm income sources:					
1. Cash receipts ^{1/}	142.1	142.9	136.3	141.8	136-140
Crops ^{1/}	72.9	72.7	66.8	69.1	66-70
Livestock	69.2	70.3	69.4	72.7	67-71
Cash Government payments	1.9	3.5	4.1	4.0	6-9
Value of PIK commodities	0.0	0.0	5.2	4.5	0
2. Direct Government payments	1.9	3.5	9.3	8.4	6-9
3. Farm-related income ^{2/}	2.5	2.6	2.5	3.0	2-4
4. Gross cash income (1+2+3) ^{3/}	146.5	149.0	148.1	153.3	147-152
5. Nonmoney income ^{4/}	13.7	14.0	13.1	12.9	11-13
6. Realized gross income (4+5)	160.2	163.0	161.2	166.2	158-163
7. Value of inventory change	5.8	-1.4	-10.6	7.8	-1 to 3
B. Total gross income (6+7)	166.0	161.6	150.6	174.0	159-164
Production expenses:					
9. Cash expenses ^{5/ 6/}	110.7	110.7	109.8	114.1	108-112
10. Total expenses	136.1	136.9	135.6	139.5	132-136
Income statements:					
Net cash income: ^{1/ 6/}					
11. Nominal (4-9)	35.8	38.3	38.3 ^a	39.2	37-41
Deflated (1972\$) ^{7/}	18.3	18.5	17.8	17.5	16-18
Net farm income: ^{1/}					
12. Nominal total net (8-10)	29.8	24.6	15.0	34.5	25-29
Deflated total net (1972\$) ^{7/}	15.3	11.9	7.0	15.5	11-13
Deflated total net (1967\$) ^{8/}	11.0	8.5	5.0	11.1	8-10
13. Off-farm income	36.9	37.9	38.8	40.0	39-43
Other sources and uses of funds:					
14. Change in loans outstanding ^{6/}	15.6	7.3	3.5	-1.5	-6 to -10
Real estate	9.3	4.0	2.5	-0.8	-3 to -6
Non-real estate ^{9/}	6.2	3.3	1.0	-0.7	-2 to -4
15. Rental income	5.8	5.7	4.6	5.4	4-6
16. Gross cash flow (11+14+15)	57.2	51.3	46.3	43.1	34-38
17. Capital expenditures ^{6/}	16.8	13.7	13.0	12.5	10-14
18. Net cash flow ^{1/ 6/} (16-17)	40.3	37.6	33.3	30.7	22-26

f=Forecast as of 11/14/85. ^{1/} Includes net CCC loans and excludes forest product sales. ^{2/} Income from custom work, machine hire, farm recreational activity, sales of forest products, and other misc. sources. ^{3/} Numbers in parentheses indicate the combination of items required to calculate a given item. ^{4/} Value of home consumption of farm products and imputed rental value of farm dwellings. ^{5/} Excludes depreciation and perquisites to hired labor. ^{6/} Excludes farm households. ^{7/} Deflated by the GNP implicit price deflator. ^{8/} Deflated by the CPI-U. ^{9/} Excludes CCC loans. Columns may not add up to exact totals because of rounding.

Cash receipts for feed grains and hay are projected to be up somewhat, boosted by higher corn receipts. Record corn production has kept prices well below 1984. However, slightly higher marketings and CCC loans could raise corn receipts by nearly a tenth from the low \$11.6 billion of 1984. Sorghum receipts are also expected to show a gain of a tenth, while receipts for barley, oats, and hay slip because of lower prices.

Oil Crop Receipts Down, Cotton Receipts Level with '84

Lower prices are again a major factor in the expected one-tenth decline in oil crop receipts. Declines are likely for soybeans, peanuts, and all other oil crops. Lower prices will probably result in December loan placements equal to about one-fifth of this year's soybean crop.

Cotton receipts should remain at or just below 1984, as lower prices just offset higher marketings and CCC loan placements. As export volume has declined, net CCC loans have become a critical source of cash for cotton farmers, with 60 percent or more of the crop expected to go under loan. About 42 percent of the 1982 crop was put under loan, and 39 percent in 1981.

Declining sales volume should leave tobacco receipts down somewhat. Lower prices and production have likely pulled fruit and nut receipts down a bit too. Slightly higher vegetable production has been offset by a 6- to 8-percent drop in prices, leaving receipts short of 1984.

Receipts Lower for Red Meat, Poultry and Eggs

A general decline in livestock prices is expected to have put total livestock receipts 3 to 7 percent below 1984. Dairy, veal, lamb, and turkey receipts will register slight increases, but red meat receipts likely have fallen because of lower cattle and hog prices. This should mark the third consecutive year of declining hog receipts.

Cash receipts for poultry and eggs are likely to exhibit the sharpest decline in the livestock group, falling about a tenth from 1984. Broiler receipts should be down somewhat as lower prices outweigh higher production, while egg receipts will be off about a fifth. An increase in dairy marketings, a result of the end of the dairy diversion program, should just offset lower prices caused in part by reduced milk price supports.

Prices Paid for All Items Down For First Time Since 1955

Prices paid by farmers for all inputs are expected to be down 1 percent in 1985, following 1984's 3-percent rise. If this forecast decline is realized, it will mark the first year since 1955 in which prices paid for all items have averaged lower than the preceding year. Because of sharply lower feed prices, farm-origin items are expected to show the most substantial declines, while non-farm-origin items come in just below 1984.

Feed prices should continue to tumble during the fourth quarter because of large supplies. Feeder cattle prices for 1985 should average about even with 1984, despite lower feed prices. Seed prices are showing a slight increase, as higher first-half prices offset moderate yearend prices.

Fuel and energy prices for 1985 are expected to average the same as last year, following several years of decline. Fertilizer prices will likely be off 4 to 6 percent, while prices for pesticides and farm and motor supplies remain unchanged. Machinery (other than tractors), autos, services, and wage rates will probably show slight increases.

Farm Prices Have Fallen for All Commodity Groups But Tobacco

Prices received by farmers for 1985 are expected to have fallen about a tenth on average. All commodity groups except tobacco will probably show price declines. Oil crop prices are likely to exhibit the sharpest loss, with soybean prices averaging well below \$6 thus far in 1985. Significant declines are also projected for cotton and feed grains/hay. Record corn production, along with low export volume, should keep corn prices hovering near the loan rate through first-half 1986.

Livestock prices should be down nearly a tenth this year, with poultry and eggs showing the most substantial drop. Egg prices are forecast to be about a fifth lower than last year's high prices, which were induced by avian flu. The only livestock commodities likely to show higher average prices in 1985 are veal and lamb.

Cash Receipts, 1981-1985

Item	1981	1982	1983	1984	1985F
Billion dollars					
Crop receipts ^{1/}	72.9	72.7	66.8	69.1	66-70
Food grains	11.6	11.5	9.7	9.7	8-11
Food grains & hay	17.8	17.2	16.2	16.5	15-19
Oil crops	13.9	13.8	13.5	13.7	10-14
Other crops	29.6	30.2	27.4	29.2	27-31 _k
Livestock receipts	69.2	70.3	69.4	72.7	67-71
Meat animals	39.7	40.9	38.9	40.8	37-41
Poultry & eggs	9.9	9.6	10.0	12.2	10-12
Dairy products	18.1	18.2	18.8	17.9	17-19
Other livestock	1.4	1.6	1.8	1.9	1-2
Total cash receipts	142.1	142.9	136.2	141.8	136-140

^{1/} Includes net CCC loans. Totals may not add because of rounding.
F = forecast.

Production Expenses, 1981-1985

Item	1981	1982	1983	1984	1985F
Billion dollars					
Farm origin	33.3	31.5	33.1	33.4	31-33
Manufactured	23.9	22.2	21.3	23.1	21-23
Interest	19.9	21.8	21.4	21.1	19-21
Other operating ^{1/}	26.2	28.2	28.0	29.6	28-30
Other overhead ^{2/}	32.9	33.3	31.8	32.2	30-32
Total expenses	136.1	136.9	135.6	139.5	132-136

^{1/} Includes repaid and operation, hired labor, machine hire, cotton ginning, crop insurance and other miscellaneous operating expenses. ^{2/} Includes capital consumption, property taxes, and net rent to non-operating landlords. F = forecast.

Production Expenses 3 to 5 Percent Below Last Year

Total farm production expenses are forecast to be 3 to 5 percent lower in 1985, because of lower prices paid for farm inputs and a slight decline in input use—the latter due mostly to smaller acreage planted. This is only the second decline in expenses since 1952. The current forecast range for total expenses is \$132 to \$136 billion, compared with \$139.5 billion in 1984. Cash expenses are expected to total between \$108 and \$112 billion, following \$114.1 last year.

Outlays for farm-origin items (feed, feeder livestock, and seed) should fall short of 1984, because of reduced feeder cattle shipments and softening feed prices. Feed expenses are expected to be down 5 to 9 percent, while expenses for feeder livestock fall 2 to 6 percent and seed outlays are unchanged.

Interest Expenses and Debt Should Both Be Down Again

Manufactured input expenses are expected to be down 1 to 5 percent; declines in fertilizer, fuel, and pesticide outlays should offset higher electricity expenses. Total interest charges are likely to average less than a year earlier for the third straight time. Non-real estate interest expenses, which include interest on operating capital and CCC loans, should be down 5 to 9 percent, reflecting lower short-term market interest rates. The lower rate on average outstanding non-real estate debt will account for most of the decline in non-real estate interest charges.

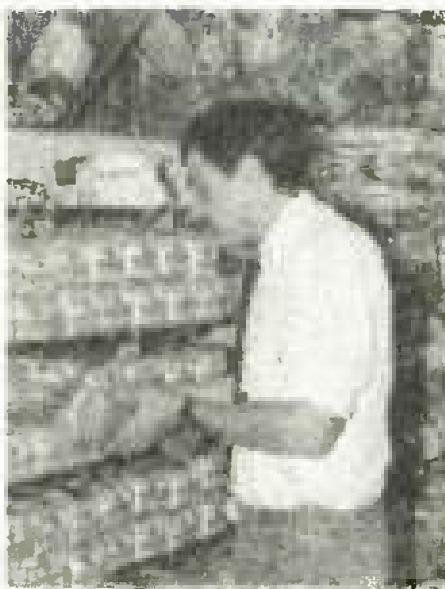
Real estate interest expenses could fall slightly for the second consecutive year because both average debt and interest rates have declined.

Depreciation expenses, which are based on current replacement value, are expected to be 3 to 6 percent lower for 1985, as capital expenditures decline for the sixth straight year. Since depreciation expenses fell about 2 percent in 1983 and 1984, this year could mark the third consecutive decline in this economic cost.

Government Payments by Sept. 31 Passed \$6.1 Billion

Preliminary estimates indicate that direct cash Government payments through September (excluding reserve storage payments) exceeded \$6.1 billion, already far surpassing the previous record of \$4.1 billion set for all of 1983. Nearly half the 1985 total through September consists of feed grain deficiency payments, including advanced deficiency payments on 1985 crops.

Cotton farmers received over \$1 billion in deficiency and diversion payments through September, while wheat and rice farmers garnered \$1.1 billion and \$0.6 billion, respectively. Wool Act disbursements totaled nearly \$100 million. December wheat deficiency payments will likely surpass \$1 billion. [Matt Rea and Gary Lucier (202) 786-1808]



Food and Marketing

UPDATE ON FOOD PRICES AND MARKETING BILL

The rise in retail food prices in 1985 has been small. When data are available for all of 1985, the Consumer Price Index for food is expected to average a little over 2 percent above last year. This increase will be one of the smallest in 18 years.

Prices of food purchased in grocery stores will average about 1 percent above 1984, while food sold in restaurants and fast food establishments will be up 4 percent. The CPI for food away from home accounts for nearly a third of the CPI for all food.

The components of the 1985 food CPI that have added the most to the total price rise include fresh fruit, processed fruit, fish and seafood, cereal and bakery products, and other prepared foods. The CPI's for fresh fruit and processed fruit, which together account for about 5 percent of the larger food index, have increased about 10 and 5 percent, respectively. Supplies of some major fruits have been smaller this year because of poor weather.

Fish and Seafood Prices Up 4 to 5 Percent

CPI's for fish and seafood are up 4 to 5 percent, while cereals and bakery products and other prepared foods have risen

3 to 4 percent. Cereals and bakery products account for about 9 percent of the food CPI. Prices of dairy products and nonalcoholic beverages have climbed about 2 percent.

In contrast, prices for red meats and poultry have declined 1 to 2 percent, and egg prices this year may average 18 percent lower than last. Fresh vegetables also are below last year. Meat, poultry, and eggs account for about 19 percent and fresh vegetables about 3 percent of the total food CPI.

Consumer demand for some foods has been strong in 1985. However, overall food demand has changed little from 1984. A slowdown in the rate of growth in the general economy has contributed to more moderate increases in food demand this year. Also, disposable personal income has increased about 2 percent in real terms this year, compared with 5.8 percent in 1984.

Large Crop & Livestock Supplies Have Held Down Price Hikes

The farm value of food—that part of the consumer's food dollar that goes to farmers—has dropped about 7 percent this year. This drop has helped hold down increases in retail prices. Nevertheless, retail prices have increased slightly (for further discussion of this point, see the Agricultural Economy writeup).

Large supplies of many commodities—particularly cattle, hogs, and poultry—have depressed producer prices. Also, farm prices for eggs and fresh vegetables have declined, as supplies have recovered from scarcities and high prices in 1984. Poultry production has increased in 1985 in response to lower feed prices and expectations of positive producer returns, even though producer prices are lower than last year.

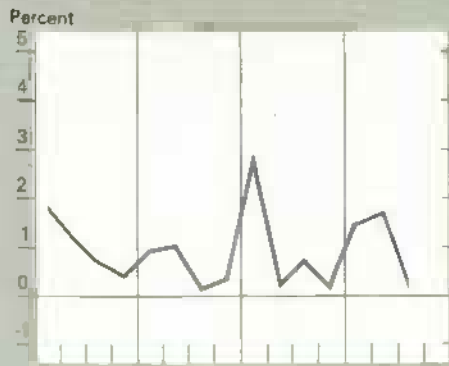
Farmer Got Only 32 Cents Of Consumer Food Dollar This Year

Large supplies of soybeans have held oilseed prices below last year in spite of heavy use of vegetable oils, reducing the farm value of fats and oils. Fresh and processed fruits and vegetables are the only categories whose farm values have increased this year, mainly because of smaller fruit supplies. Because of the lower farm value of food, the farmer's share of the consumer dollar will drop to 32 cents this year, from 34 in 1984.

The farm-to-retail price spread for a market basket of foods is expected to be up 6 percent for this year, mainly because of the decline in the farm value of

Food and Marketing Indicators

CPI: Total food^o



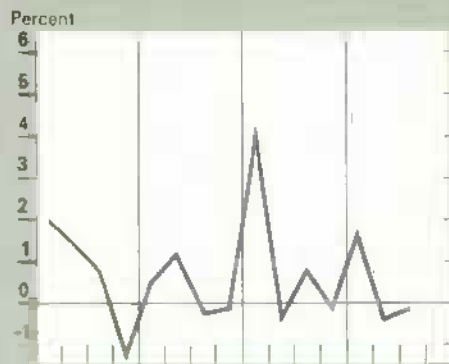
CPI: Food at home^o



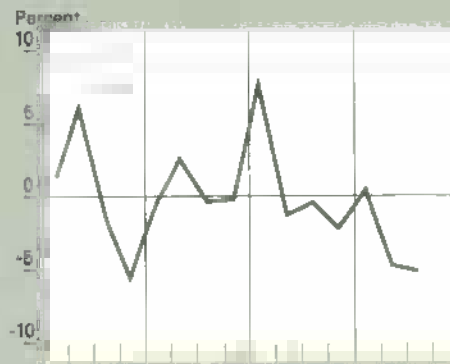
CPI: Food away from home^o



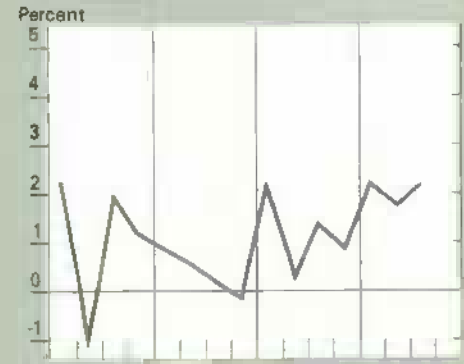
Farm food market basket, retail price



Farm value



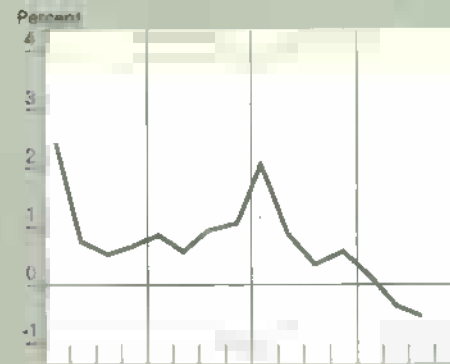
Farm to retail spread



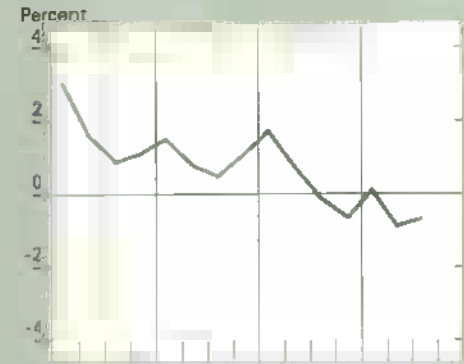
Imported food and fishery products



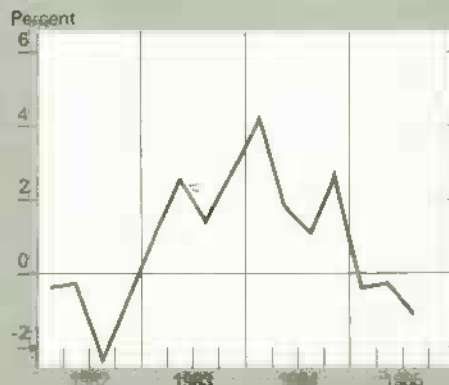
Marketing cost Index



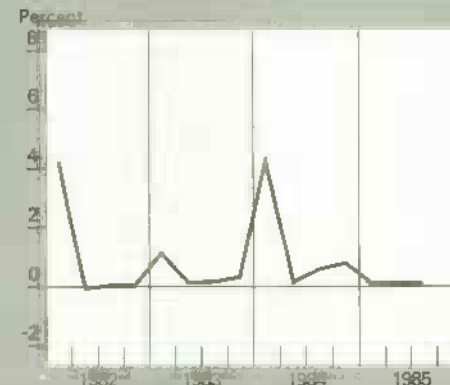
Labor cost



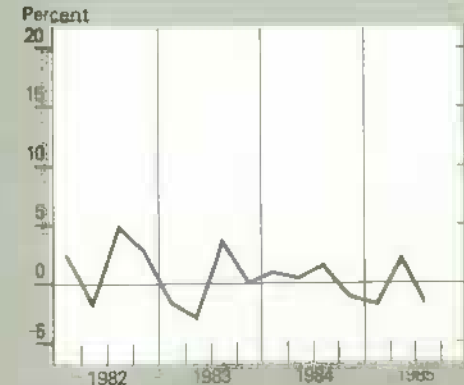
Packaging cost



Rail freight rates



Energy rates



^oCPI unadjusted.

All series expressed as percentage change from preceding quarter.

Changes in Food Price Indicators, 1983-1985

Consumer Price Indexes	Relative Importance	1983	1984	1985F
		Percent		
All food	100	2.1	3.8	2.2
Food away from home	33	4.4	4.2	3.9
Food at home	67	1.1	3.7	1.1
Meat, poultry, and fish	20.1	-0.7	1.6	-0.6
Meats	15.7	-1.1	0.3	-1.3
Beef and veal	8.5	-1.5	1.2	-2.2
Pork	4.5	-0.7	-1.3	-0.1
Other meats	2.7	-0.4	0.4	-0.1
Poultry	2.2	1.2	10.6	-1.2
Fish and seafood	2.2	1.2	3.2	4.6
Eggs	1.3	4.7	11.7	-18.5
Dairy products	8.8	1.2	1.3	1.9
Fats and oils	1.9	1.3	9.5	3.0
Fruits and vegetables	10.1	0.3	8.6	2.7
Fresh fruits	2.4	-4.3	11.1	10.6
Fresh vegetables	2.9	3.6	10.9	-5.2
Processed fruits and veg.	4.8	1.0	6.0	3.2
Processed fruits	2.4	1.5	7.2	5.1
Processed vegetables	2.4	0.4	4.7	1.2
Sugar and sweets	2.6	1.9	3.9	2.7
Cereals and bakery products	9.1	3.2	4.4	3.5
Nonalcoholic beverages	7.4	1.9	2.5	2.0
Other prepared foods	6.0	3.1	3.0	3.3
Market basket of farm foods:				
Farm value		-2.2	5.4	-7.0
Farm-to-retail price spread		2.3	3.2	5.2
Retail cost		0.9	3.9	1.2

Historical data provided by the Bureau of Labor Statistics; forecasts by Economic Research Service. F = Forecast.

most foods. This is a larger increase in the price spread than in recent years.

Lower farm prices for some foods were not fully reflected at the retail level because of the time lag required for price changes to pass through the marketing system. Research indicates that it requires an average of 3 months or longer for the full effect of price changes at the farm level to be reflected at retail. The actual adjustment period varies by commodity, the amount of processing, and stock levels.

Widening price spreads suggest that profit margins of some domestic food manufacturers and distributors have increased this year more than in some earlier years. However, greater emphasis

on merchandising (advertising, couponing, and other promotions) boosted operating costs of some firms and held down profit margins.

Marketing Costs Little Changed

The rise in marketing costs in 1985 has been very modest. As measured by the food marketing cost index (FMCI), costs rose at an annual rate of about 1 percent in the first 9 months of the year.

The general inflation rate, as measured by the GNP implicit price deflator, rose 3.8 percent in 1984, and the FMCI went up 4.3 percent. In 1985, however, the FMCI has gone up less than a third as much as inflation. The much smaller rise in food marketing costs is mainly the result of a very small rise in labor costs.

Food Industry Labor Costs Are Stable

Labor costs represent almost half of the FMCI. For the first 9 months of 1985, the labor cost index averaged only 0.1 percent higher than in 1984.

For food retailing, the index actually declined by about 3 percent in the first 9 months of the year. One reason is "multi-tiered" labor contracts. For instance, newly hired clerks may be paid a starting wage of \$5.00 per hour and be able to advance to \$8.50, whereas existing workers may have been hired at \$6.50 per hour and be able to earn as much as \$11.00.

Other factors also have moderated labor costs. Many of the union contract settlements in the past 2 years have not provided for any wage increase during the first year of the contract, and only small increases in the ensuing years. Yet another moderating effect on food retailing labor costs has been the closing of stores that were paying union wages and the reopening of the stores by other companies with lower paid nonunion workers.

Labor costs have been going up moderately in other sectors of food marketing. In food manufacturing, costs averaged 1.5 percent higher during the first 9 months of this year than during the same period in 1984. This increase was only about half as large as the rise in costs a year earlier. The labor cost index for wholesaling will rise 3.9 percent in 1985, compared with an increase of 5.1 percent a year earlier.

Labor costs are likely to rise only moderately during the remainder of the year and into next year and continue to temper the rise in food prices. This forecast is supported by the wide acceptance of multi-tiered pay scales in food retailing, and a continuation of 1985's economic environment, including a 3.5- to 4.0-percent general inflation rate and an unemployment rate of about 7 percent.

Packaging Prices Up Moderately

Packaging is the second most important marketing cost in the FMCI, representing about 15 percent. The price of packaging materials used by the food industry averaged 2.3 percent higher in the first 9 months of 1985 than a year earlier. The major price changes included an increase of 5 percent for tin cans and 4.3 percent for glass containers. This has likely raised costs for fruit and vegetable canners, the fish products industry, and soft drink processors.

Prices of tin cans and glass containers will probably continue to rise next year. Increases in steel prices, along with labor cost pressures, will mainly determine price increases for tin cans. Prices for glass containers are expected to follow those of tin cans.

Prices of paperboard products, such as the corrugated boxes used to ship most food products, declined from January through September this year, but prices averaged 0.4 percent higher than a year earlier. Price changes for paperboard packaging have varied in recent years, declining during the 1982-83 recession but rising 12 percent during the 1984 economic recovery.

Energy Prices Steady

Energy costs represent about 9 percent of the cost of marketing food commodities. A combined index of fuels and electricity has been relatively unchanged since 1982. The energy costs index averaged 2.6 percent lower during the first 9 months of this year than a year earlier.

Prices of diesel fuel and fuel oil fell about 10 percent, reflecting plentiful stocks and lower world prices for crude oil. Prices of natural gas and liquid propane rose 1 percent. However, electricity rates were up about 3.5 percent. Overall, increases in energy costs are not likely to have an important effect on food prices in 1986.

Truck Rates Expected To Be Unchanged

Transportation costs represent about 11 percent of marketing costs. During the first 9 months this year, the railroad freight rate index for food products averaged only 1 percent higher than last year. Rates are expected to change little in the coming year, since neither costs nor demand for rail services is likely to increase.

Less than half of all foodstuffs, however, are transported by rail. A larger share is transported by independent truckers, especially fresh fruits and vegetables. Truck rates are affected by costs such as diesel fuel and drivers' wages, and by market competition. Costs of operating trucks by independent owner-operators averaged \$1.15 per mile in the first 9 months of this year, practically unchanged from a year earlier. However, costs went up about 1 cent per mile in July, because of a user fee imposed on

vehicles weighing more than 55,000 pounds.

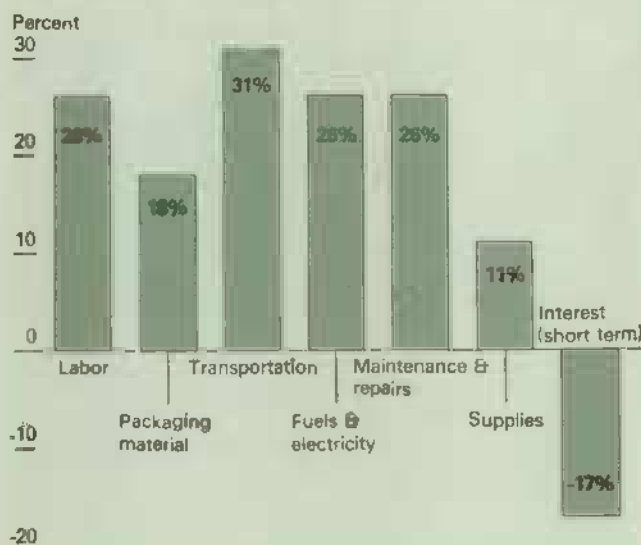
Small Cost Increases Boost Profit Margins

Profits of the food industry are not included in the FMCI, but profits are an important element of food prices. Profit margins of food chains typically average about 2 cents per dollar of sales, or about 1 cent after taxes. The profit margin of food manufacturers is higher, averaging before taxes about 5 cents per dollar of sales and after taxes, over 3 cents. The higher profits reflect manufacturers' larger capital investment and slower inventory turnover.

The profit margin of food manufacturers was nearly stationary throughout 1984. But, it declined the first half of this year, particularly in the first quarter, when growth in the economy stalled. Manufacturers' profits after taxes averaged 2.9 percent in first half, down from 3.3 a year earlier.

Profit margins of retail food chains also declined, averaging 1.2 percent, compared with 1.4 percent in 1984. However, profit margins of food chains were much higher in 1984 than other years. Reasons included reduced cost pressures, particularly for labor; increasing sales of nonfood products, which have higher markups than foods; and greater numbers of large stores, which are able to spread fixed costs over a larger sales volume. Profit margins are likely to improve in the second half of 1985, particularly food chain margins, since they are typically highest in the fourth quarter because of holiday buying. [Ralph Parlett and Denis Dunham (202)786-1870]

Marketing Cost Components Push Retail Prices Higher



Changes in Major Food Marketing Costs

	1983	1984	1985F
	Percent change from previous year		
Cost	3	4	1
Labor	4	3	0
Packaging	2	10	3
Transportation	1	4	1
Energy	0	1	-3
F = Forecast.			



General Economy

In the first half of 1985, the U.S. economy saw strong domestic demand but weak domestic manufacturing production. Demand, rather than being satisfied by current domestic production, was met by drawing down inventories and importing more goods and services. Real GNP grew at an annual rate of 1.1 percent in the first half, while real personal consumption expenditures grew slightly faster than 5 percent and non-residential fixed investment at nearly 6 percent.

Real imports grew at an annual rate of nearly 7 percent in the first half, and real inventory accumulation fell to about half of its 1984 value. The U.S. real net export deficit grew to \$33.8 billion in annual terms in the second quarter of 1985, up from \$15 billion in 1984.

Capacity utilization declined a little in the first half of the year, and industrial production grew only slightly. Since demand was not met by current production, there was no surge in hiring, and unemployment remained at 7.3 percent. A bright spot in an otherwise drab performance was inflation. The Consumer Price Index rose at the relatively low rate of 3.8 percent.

Third Quarter Saw an Upswing

By the third quarter, the preliminary estimate of real annual GNP growth was 3.3 percent. Consumer spending (led by automobiles) and Government

purchases (especially on defense) were particularly strong. Declining mortgage rates fueled residential construction growth. Even the growth rate of real imports slowed. Manufacturing output, hardest hit by the increase in imports, recovered slowly, and by the third quarter was growing at a 2.5-percent annual rate. Inventories continued to decline, however. As production picked up, the unemployment rate declined to 7.0 in August and remained relatively steady in September.

Price Inflation Remains Low

The best news for the consumer in the current recovery has been the low rate of inflation. Inflation measured by all indexes has declined fairly steadily since 1980, when the CPI was rising at a 13.5-percent clip. The September CPI growth rate was 0.3 percent, an annual rate of 2.3 percent. Slow rates of growth in retail food and energy prices helped keep inflation down.

Producer prices have also remained low, with the September index for finished goods falling at an annual rate above 6 percent. From September 1984 to September 1985, the overall producer price index rose only 0.2 percent.

Employment Gains Are Unevenly Distributed

While there has been a continuous increase in the total number of workers employed in 1985, the gains have been spread unevenly among different sectors of the economy. Since January, employment in service industries has grown by 2.1 million jobs, while factory jobs have dropped by 340,000.

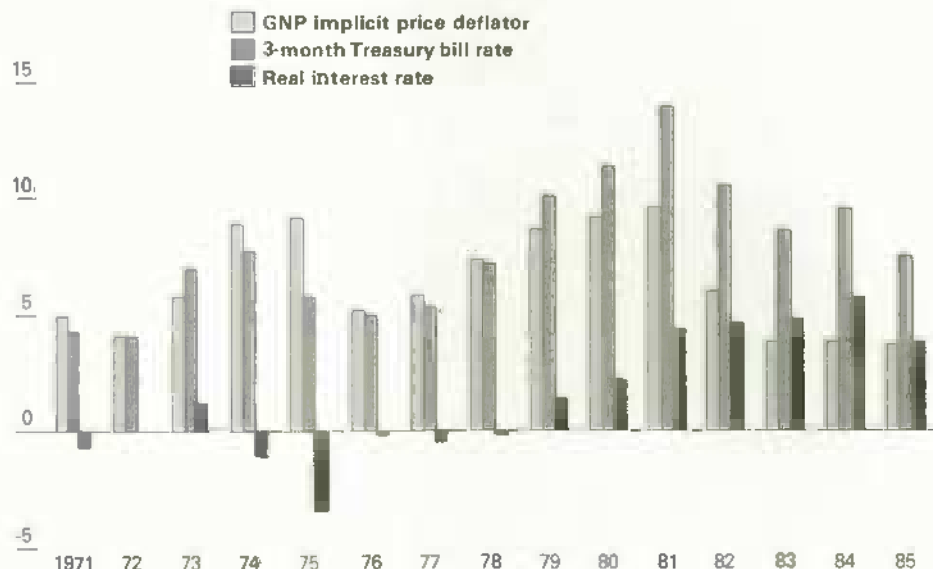
Recent signs have pointed to a halt in the job decline in factories, though. Average weekly hours in manufacturing have increased slightly and overtime has remained steady, meaning that an increase in demand will probably be met by hiring more workers. Although the number of workers employed has increased continuously, the unemployment rate remained stable until the third quarter because growth in the labor force offset employment gains.

What Is Keeping Interest Rates Up?

Although 3-month Treasury bill interest rates have fallen from above 10 percent in mid-1984 to near 7 percent, inflation-adjusted rates remain high. In 1980, the inflation-adjusted interest rate—measured by the difference between the 3-month Treasury bill rate

Real Interest Rates Remain High

Percent
20
15
10
5
0
-5

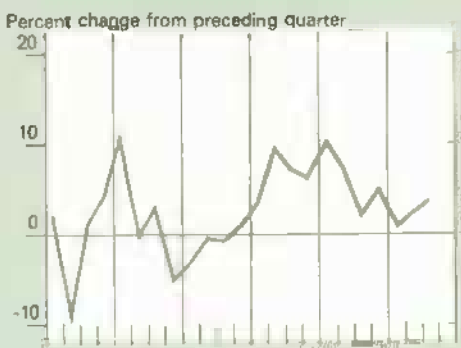


General Economic Indicators

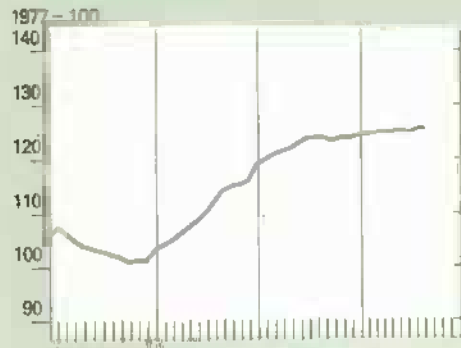
Composite leading economic indicators



Gross national product¹



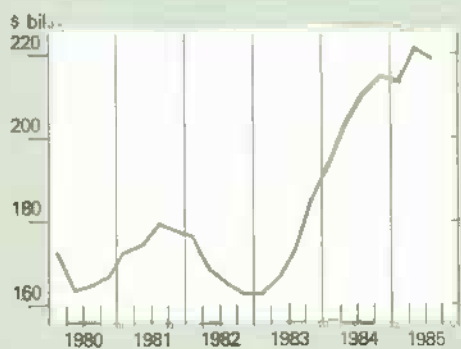
Industrial production



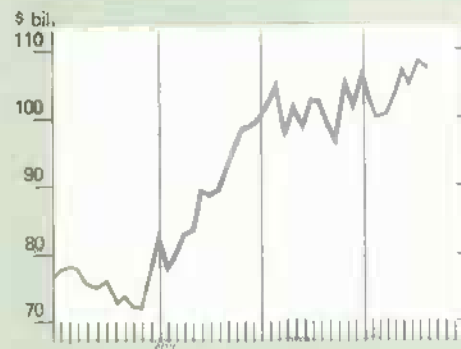
Disposable income and consumption expenditures²



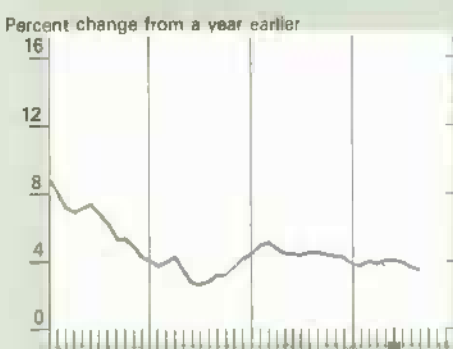
Nonresidential fixed investment²



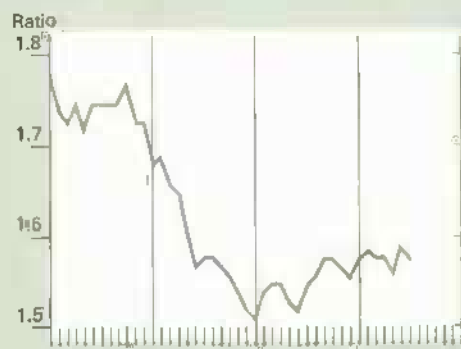
Manufacturers' durable goods orders³



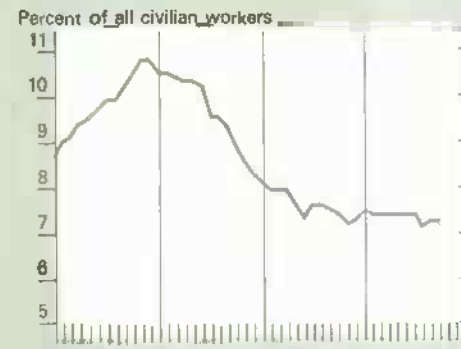
Consumer price index



Inventory/sales⁴



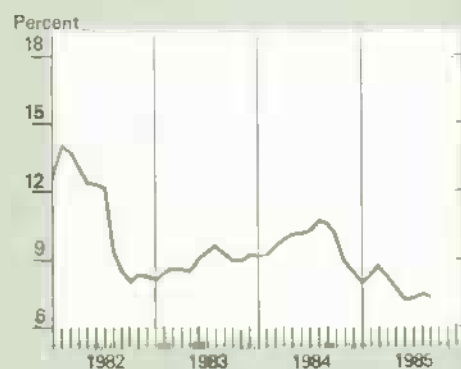
Unemployment rate⁵



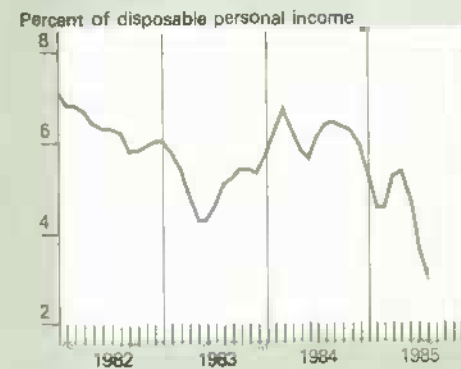
Money supply (M1)



3-month treasury bill rate



Savings rate⁶



¹Percent change from previous quarter in 1972 dollars. Seasonally adjusted annual rates. ²Billions of 1972 dollars, seasonally adjusted at annual rates. ³Nominal dollars. ⁴Manufacturing and trade, seasonally adjusted; based on 1972 dollars. ⁵Seasonally adjusted. ⁶Calculated from disposition of personal income in 1972 dollars, seasonally adjusted at annual rates. Sources are: U.S. Dept. of Commerce, U.S. Dept. of Labor, and the Board of Governors of the Federal Reserve System.

and the inflation rate—was 2.3 percent. By mid-1984 the inflation-adjusted rate was 6.4 percent. The third-quarter 1985 figure was near 4 percent.

One explanation for the high rates focuses on the Federal deficit. The high and growing deficit, it is argued, increases the demand for credit and forces up the price of borrowing, namely interest rates. High interest rates then attract foreign savings, which in turn drive up the exchange value of the dollar and make it difficult for our manufacturing sector to compete with foreign producers. Thus, the explanation runs, high Federal deficits have harmed our manufacturing sector by forcing up interest rates.

Federal Deficit Is Only One Part of the Answer

Unfortunately, this explanation is not complete. For example, over 1983-85, private demand for credit has risen faster than public demand, and consumer borrowing has reached an all-time high in 1985. This suggests that the demand pressure on interest rates has not all been due to the deficit.

Further, inflows of foreign funds have not increased appreciably since 1981, but outflows of U.S. funds have fallen substantially. This suggests that it has been U.S. banks repatriating funds that have increased the amount of credit available in the U.S. economy, and not inflows of foreign savings.

As with most popular arguments, the Government-deficit foreign-savings explanation for the level of interest rates describes only part of the cause. The outlook for interest rates depends not only on the deficit, but also on consumer and business borrowing needs and monetary policy.

Given continued strong credit demand, the outlook for monetary policy will determine the outlook for interest rates. Recent Federal Reserve policy has ac-

commodated the need for more money in the economy, and there are no indications that monetary policy will become tighter. Thus, interest rates should remain steady or decline slightly in the near term.

Outlook for 1986:

3 Percent Growth in GNP

The outlook for 1986 is for real GNP growth around 3 percent, with little change in interest rates and unemployment. Consumption expenditures should grow at about the same rate as GNP, with inventories being rebuilt and the net export deficit reduced.

Recent domestic economic performance has caused many analysts to revise their expectations of when the next recession will occur. At the beginning of 1985, 52 percent of the respondents to the regular survey conducted by the National Association of Business Economists foresaw recession in 1986. By the third quarter of this year, the proportion had declined to 42 percent. From this evidence, it appears that the current 36-month recovery has a good chance of continuing through 1986, making it the second-longest recovery since World War II. [Ralph Monaco and Frank Zahn (202) 786-1283]



Recent Publications

USDA's Economic Research Service publishes a number of research reports, statistical supplements, handbooks, and other periodicals that may be of interest to *Agricultural Outlook* readers.

New Reports - GPO

The following reports are available FOR SALE ONLY from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Order by report title and number. Make checks payable to Superintendent of Documents. Prices subject to change. Bulk discounts available. For faster service or further information call GPO's order desk at (202) 783-3238 and charge your purchase to your VISA, MasterCard, Choice, or GPO Deposit Account.

The Diverse Social and Economic Structure of Nonmetropolitan America. RDRR-49. 28 pp. September 1985. (Price \$1.50). Stock Number: 001-019-00389-8.

Economic Structure and Change in Persistently Low-Income Nonmetro Counties. RDRR-50. 25 pp. October 1985 (Price \$2.25). Stock Number: 001-019-00413-4.

Implications of World Sugar Markets, Policies, and Production Costs for U.S. Sugar. AER-543. 35 pp. November 1985. (Price \$1.75). Stock Number: 001-019-00424-0.



Inputs

FARM MACHINERY UPDATE

Domestic demand for new farm machinery has fallen sharply this year, continuing a trend started in 1980. Purchases of new machinery, particularly four-wheel-drive tractors and self-propelled combines, have been a casualty of the weak farm economy. Dealers continue to offer incentives to spur new sales. But, with record crop production and weak export demand driving down crop prices, U.S. farmers are expected to purchase even less new machinery in 1986.

Sales of Large Tractors Show the Biggest Decline

Farm demand for most tractors has declined significantly this year. The largest drop in sales for all major machinery is forecast for four-wheel-drive tractors, which are expected to decline 35 percent to 2,575 units. Overall, farmers continue to show a preference for new tractors with less power. The average per-unit size for new purchases of wheel tractors over 40 horsepower (hp) has dropped from 104 hp in 1984 to about 95 hp this year.

Sales in the 40-99 hp two-wheel-drive category are expected to rise less than 1 percent to 38,300 units. However, sales of over-100 hp two-wheel-drive tractors are projected to fall 10 percent from 1984, to 21,975 units.

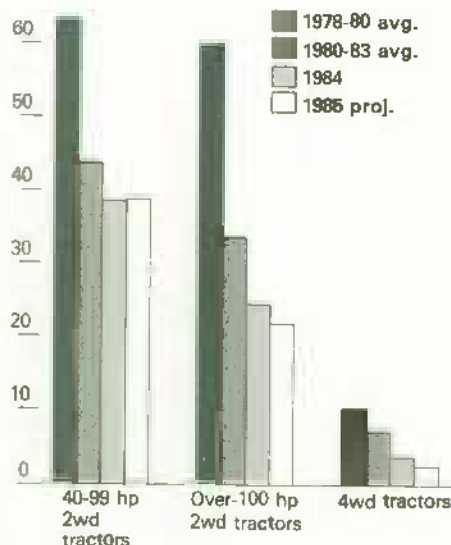
Grain and forage harvesting equipment sales also have fallen sharply. Sales cumulative to the beginning of the peak demand period (September and October) were off more than 25 percent from the record lows of a year earlier. For the year, farmers are forecast to purchase 8,875 self-propelled combines, down 22 percent from a year ago. Corn head sales are expected to fall 25 percent to 4,800 units, and forage harvester sales are projected to decline 27 percent to 2,600 units.

Hopes this summer for at least steady sales of haying equipment in 1985 did not materialize; a May sales spurt did not carry through the summer. This year's sales of small balers (producing bales up to 200 pounds) are projected to drop 17 percent to 6,875 units. Mower conditioner sales are forecast to decline 15 percent to 11,100 units and windrower heads 34 percent to 1,950 units.

The North American farm machinery industry has been taking unprecedented steps to remain financially viable. Ford Tractor's recent announcement that it will purchase Sperry New Holland (pending approval by the Federal Trade Commission) makes the fourth major corporate merger in the farm machinery industry within the past year. The aim of these mergers is to save money by increasing operating efficiencies, consolidating and reducing production capacity, and reducing personnel.

Domestic Tractor Sales Continue Falling

Thousand units



Inventories Begin Falling

Inventories of domestic farm machinery appear to be moving more in line with lower demand. All major manufacturers have drastically reduced output since late 1984. Inventories of most major machinery items were at or near record highs in the first half of the year. But, August 1985 market inventories for most categories began declining.

From 1984 to 1985, August inventories dropped from a 9.2- to a 8.7-month supply for 40-99 hp two-wheel-drive tractors, and from a 15.6- to a 13.2-month supply for over-100 hp two-wheel-drive tractors. Inventories for four-wheel-drive tractors, however, nearly doubled, going from a 9.2- to a 17-month supply, as demand for these units continues to plummet.

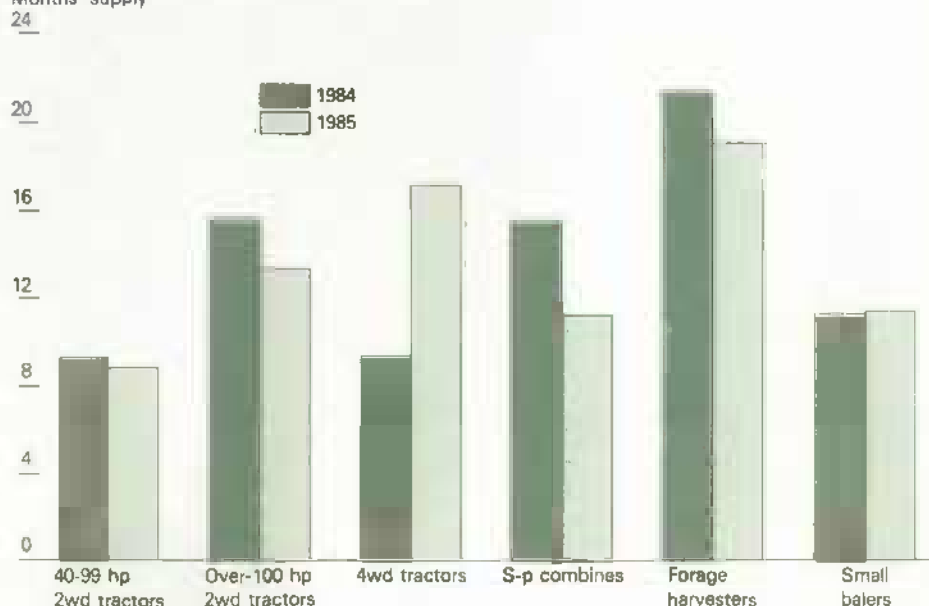
Manufacturers significantly reduced production of grain harvesting equipment in 1985. Self-propelled combine inventories have declined from a 15.4-month supply in August 1984 to an 11.2-month supply in August 1985. A similar reduction was reported for corn heads. The inventory of forage harvesters also dropped—from 21.3 to 19 months.

August inventories of the major haying equipment items this year were little changed from recent years. For small balers, the August inventory has stood at an 11-month supply for the past several years, and inventories of mower conditioners and windrowers have also been constant.

With demand for farm machinery projected to remain weak in the foreseeable future, one can expect the domestic farm machinery industry to hold production to a minimum in an effort to reduce large inventories further. Dealers will continue to offer a variety of incentives to promote new machinery sales. [Michael Hanthorn (202) 786-1456]

Most Domestic Farm Machinery Inventories Are Down

Months' supply



Inventories as of August.

October 1985 Fertilizer Prices

Year	Anhydrous ammonia (82%)	Triple superphosphate (44-46%)	Diammonium phosphate (18-46-0%)	Potash (60%)	Mixed fertilizer (6-24-24%)
Dollars per short ton					
1982	236	216	251	146	211
1983	226	205	238	128	196
1984	259	210	250	134	205
1985	237	195	229	113	182

Based on SRS survey of farm supply dealers.

FERTILIZER

October 1985 farm fertilizer prices averaged 8 percent below last year and about 4 percent below May. Even though the industry cut back production, prices dropped from May because of less domestic consumption and fewer exports.

Potash prices were down the most, dropping 12 percent from May and 16 percent from October 1984. Triple superphosphate and diammonium phosphate prices were down 5 percent from May and about 7 percent from a year earlier.

Price drops for nitrogen fertilizer materials from May ranged from 1 to 6 percent. Anhydrous ammonia and urea prices declined 6 percent, with ammonium nitrate and nitrogen solution price slides ranging from 1 to 5 percent. For nitrogen materials, price declines from a year earlier ranged from 2 to 11 percent.

Lower U.S. fertilizer prices in 1984/85 (July/June) enhanced export market activity, resulting in record nitrogen and phosphate exports that year. However, export levels early in 1985/86 indicate a falloff in fertilizer exports for the year. Nitrogen exports in the first 3 months of this season were down 4 percent, while phosphate exports were down about 19 percent. Two of the best U.S. customers in 1984/85, India and China, are expected to reduce fertilizer imports this year, because they purchased too much last year. [Paul Andrienas (202) 786-1456]

Upcoming Economic Reports

Title	Summary Released
Export	December 2
Dairy	December 9
World Ag Supply & Demand	December 10
Tobacco Yearbook	December 11
Feed Yearbook	December 12
Foreign Ag Trade of the U.S.	December 13
Agricultural Outlook	December 17
Econ Indicators of the Farm Sector	December 19
Agricultural Finance	December 23



Putting Meat Price Spreads in Perspective

When farmers or consumers say that retail prices of beef or pork are too high in relation to farm prices, they are complaining about the size of the price spread. The price spread is the difference in value between the two levels in the marketing channel, for a specific quantity and quality of meat.

Beef price spreads were record high in July 1985 and Congress held hearings to examine whether they were unreasonably large. Why were spreads that wide?

The farm-to-retail spread for beef or pork is not just the difference between the price the farmer receives and the retail price, because it takes about 2.4 pounds of live cattle to obtain 1 pound of beef sold at retail. The rest of the poundage is lost to byproducts during slaughter and processing. For hogs, it takes 1.7 pounds of live animal to obtain 1 pound of retail pork.

The large variation in price between different meat cuts must also be accounted for in the price spread. If \$4.00-per-pound porterhouse steaks are compared with the live price, the spread obtained is much different than with \$1.29-per-pound ground beef.

USDA price spread calculations take these weight differences, the mixture of cuts, and other factors into consideration. Price spreads during 1985, particularly for beef, widened because farm prices or values decreased faster than retail prices.

Prices from eight cattle markets go into the U.S. average price for Choice, yield grade 3 steers. The seven-market price for barrows and gilts is used for the U.S. average market hog price. These prices, adjusted for poundage lost and byproduct values, provide the price spread net farm values.

Data for Choice beef and pork retail prices are obtained from the Bureau of Labor Statistics. Prices of individual cuts are weighted and averaged to reflect the average retail price of all cuts from a Choice steer or market hog. The farm-to-retail spread includes all the costs of slaughtering, processing, transporting, cutting, packaging, and merchandising, as well as any profits or losses incurred by any of the firms that perform these services.

Highs Hit in July Price Spreads

The farm-to-retail price spread for beef averaged about \$1.00 a retail pound from 1981 through 1984. However, the spread has been over \$1.09 since March 1985, when the farm price began its most recent drop. In July, the spread widened to a record \$1.17 (the previous monthly high was \$1.14 in September 1982). Declines in retail prices in August and September, coupled with a slower decline in Choice steer prices, resulted in lower spreads of \$1.14 in August and \$1.12 in September.

Pork spreads have averaged 90 cents a pound this year. While they have passed year-earlier levels thus far in 1985, they are not excessively high by historical standards, having averaged about 86 cents for the past 20 quarters. The August and September spreads were 92 and 96 cents. The highest pork spread recorded was \$1.01 a pound in November 1982.

Retail meat price changes typically lag behind livestock price changes by one to several weeks. One explanation for this lag is the physical time that it takes for the animal sold at the farm level to reach the consumer as meat.

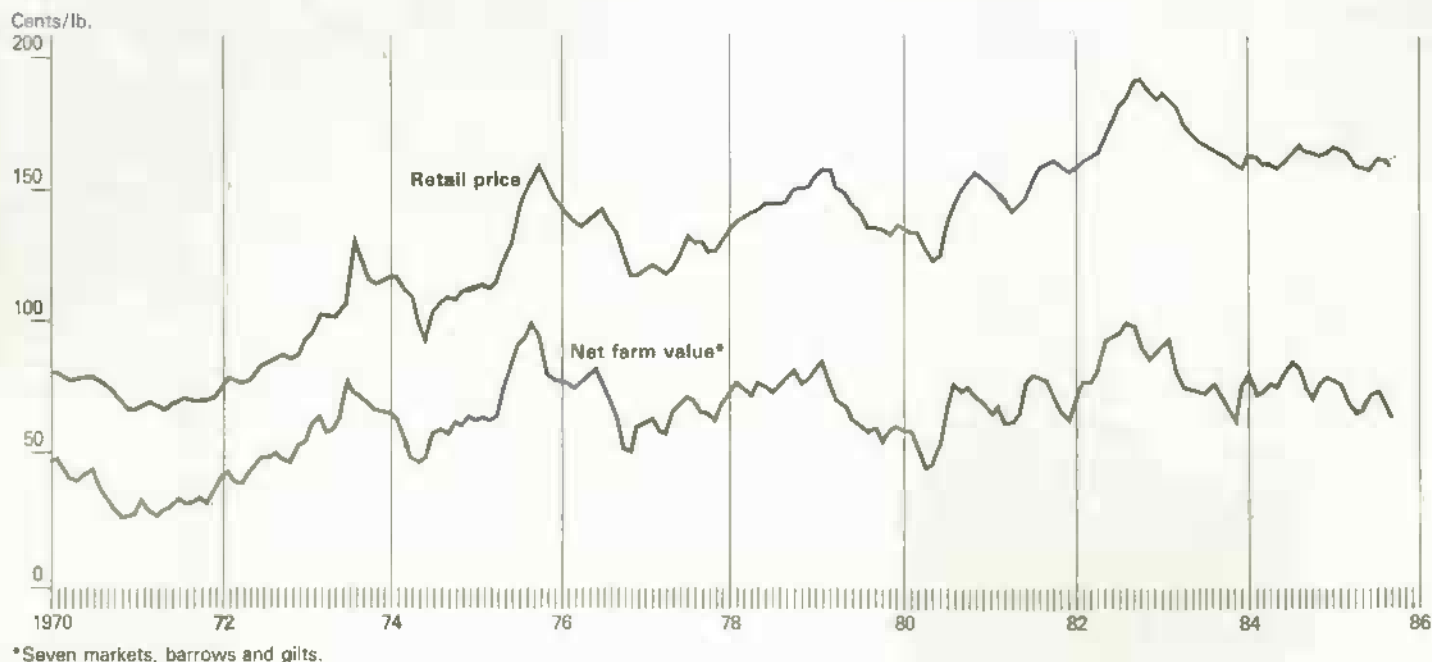
Also, retailers may not immediately react to a change in the wholesale price. When marketing costs increase, retailers' profits are squeezed if they keep retail prices the same. So, when farm prices stabilize or decline, retailers often take the opportunity to realize better returns without increasing retail prices. This enables them to recoup from earlier slim returns and catch up with cost increases that have occurred since the last retail increase.

Labor Costs Have Grown Little or Not at All

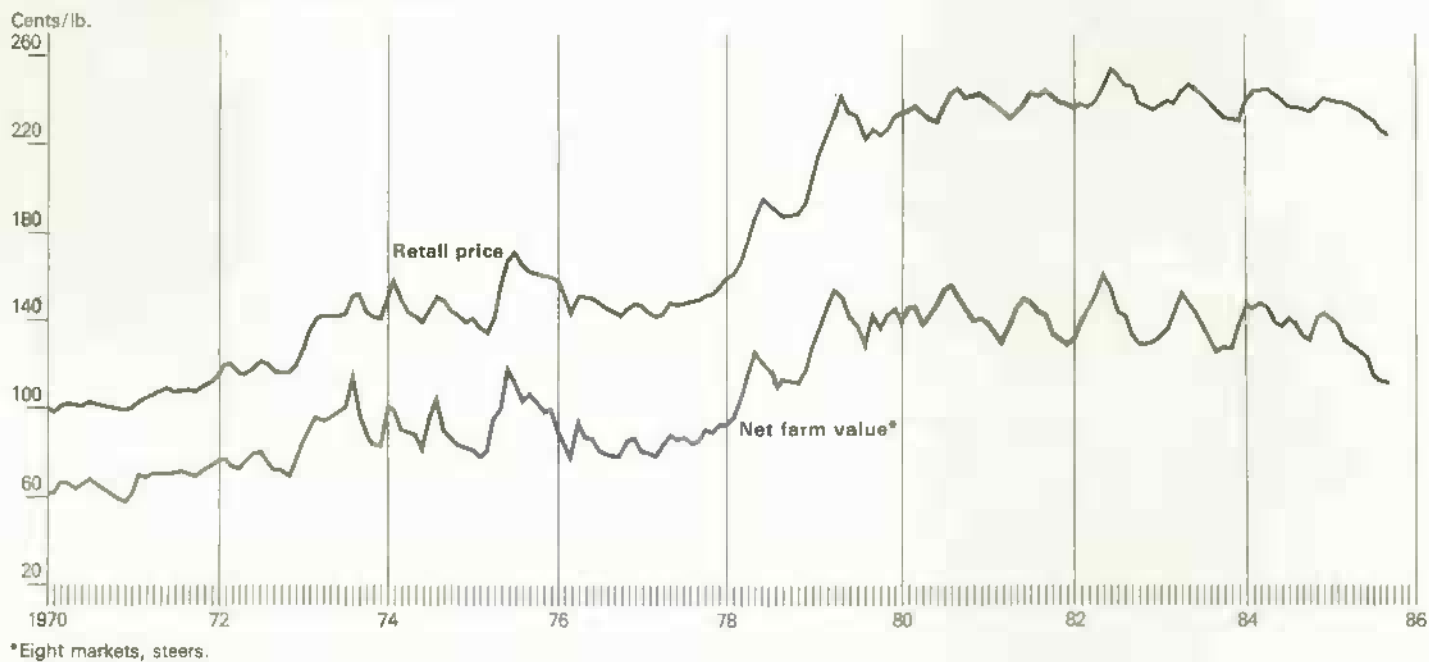
Individual marketing costs significantly influence the price spread. Labor represents around half of all marketing costs. Wage rates have generally increased over the years, although meat packing wages dropped in both 1983 and 1984 and wages for workers in the sausage/other prepared meat industry dropped in 1984.

While data series on retail meat cutters' wages are not available, food store wage rates decreased by almost 3 percent between May 1984 and May 1985. Labor productivity in pack-

Over Time, Pork Farm-to-Retail Price Spread Grows



Beef Farm-to-Retail Price Spread Widens



ing plants continues to increase, but at a slower rate than before 1980. Retail store labor productivity has actually decreased slightly in recent years, as deli counters, in-store bakeries, and other labor-intensive services have been added.

Food processors' profits are also included in marketing costs, but the meat packing industry is traditionally known to operate on a slim profit margin. Data published by the American Meat Institute for the past 5 years indicate a net profit after taxes of less than 1 percent of total sales per year, with the fraction dropping during the period.

While several data series are available indicating retail chains' overall profits, none reveals whether chains are making a profit or loss on individual products such as beef or pork. In general, retail chain profitability was a little higher in 1984 than in preceding years. Profits in the first half of 1985 dropped from 1984, but still stood above the average of the previous 5 years.

Recent Beef Spreads Have Several Explanations

The rapid widening of the price spread for beef in 1985 can be at least partially explained by the normal time lag that retail prices display in catching up with farm and wholesale price changes. The decrease in the spread in August and September supports this explanation. Also, beef price spreads were stable between 1981 and 1984, so the 1985 increase is really a jump from 1981, not 1984. Price spreads for pork have varied within normal ranges during 1985.

Alternatively, one can look at spreads the past few years in light of gradually increasing costs. From this perspective, the higher spread levels of the past few months are in line, particularly for beef. While meat price spreads have increased slightly, they have increased at less than the general rate of inflation in recent years.

Price Spreads in 1986 May Stay Wider Than in 1984

Total supplies and consumption of red meat and poultry were record high in 1985. Farm and retail prices of beef and pork are likely to move up next year, with lower beef and pork supplies and moderately lower total red meat and poultry supplies and consumption expected. Higher retail prices might well lead to the opportunity for spreads to remain slightly wider than in the past.

Beef price spreads are expected to average 8 to 10 percent more in 1985 than in 1984. While 1986 beef spreads may narrow 2 to 5 percent from 1985, they would still be greater than in 1984.

Pork farm-to-retail spreads will probably average 6 to 8 percent above 1984 in 1985. For 1986, spreads are expected to remain about the same. [L.A. Duewer (202) 786-1821]



Causes and Effects of the High Dollar

The foreign exchange value of the U.S. dollar is one of the most visible economic factors affecting U.S. agricultural trade, because it is the means by which prices are transmitted between buyers and sellers in different countries. U.S. exports, and much of world trade, are priced in U.S. dollars. Foreign buyers must, in effect, exchange their currency for U.S. dollars to buy these products. In mid-November 1985, one dollar bought an average of 2.61 German marks, 205 Japanese yen, or 1.38 Canadian dollars.

The more foreign currency required to buy a dollar, the more expensive the product for a foreign buyer. By the same token, the less foreign currency needed per dollar, the less expensive dollar-priced exports. When the dollar's value is high, U.S. exporters find that their products—without changing price in dollars—have become more expensive to foreign buyers. Also when the dollar is strong, U.S. consumers can buy foreign goods with fewer dollars than when the dollar is weak.

The strong dollar leads foreign buyers to change their purchasing practices—to substitute less expensive dollar or non-dollar products, rely more heavily on domestic production, or possibly forego the more expensive dollar goods altogether.

What Drove the Dollar Up

The exchange rate for U.S. dollars has fluctuated widely over the years. From 1969 to mid-1973, the dollar depreciated sharply. It stayed low throughout the 1970's. However, in mid-1980, it began gaining strength and again reached the level of the 1960's. Following the end of over 20 years of fixed exchange rates, two oil price shocks, and high U.S. inflation in the 1970's, foreign demand for U.S. dollars increased. Reasons included the following:

- **Security.**—Strong economic growth and favorable tax treatment for capital made the United States a good destination for investment funds. The oil price shock of 1979-80 and the ensuing world recession may have heightened the need for secure investment havens, raising the value of the dollar. The "petrodollars" earned by OPEC were reinvested to a large extent in dollar-based securities.
- **Low inflation.**—In 1980, consumer prices rose 13.5 percent in the United States, over 2 percent faster than in the major U.S. trading partners, Canada, France, Germany, Italy, Japan, and the United Kingdom. But, by November 1983, U.S. annual inflation had declined dramatically, to 3.2 percent, nearly 2 percent slower than inflation in the United States' major trading partners. International currency market traders appear to believe U.S. inflation will continue low, which continues their faith in holding dollars.
- **High interest rates.**—The single most important reason for the continued high value of the U.S. dollar is the historically high real interest rates offered in the United States. U.S. nominal interest rates currently offer investors around 10 and 7 percent for long- and short-term loans, respectively. Rates have been even higher in the past 4 years. Adjusted for inflation, current interest rates still give a real return of 3 to 4 percent or more on money invested in the United States—historically, quite a good return. In Japan or Germany, by contrast, interest rates are only about half of U.S. rates, with rates of inflation similar to the United States. As a consequence, foreign investors continue to buy U.S. dollars in order to make investments in the United States.
- **Ease of investment.**—Another, lesser factor in the strong dollar is the ease with which foreign investment can be absorbed in the United States. The U.S. economy is big enough to handle large cash flows and, compared with Europe or Japan, has fewer financial restrictions remaining from the era of fixed exchange rates.

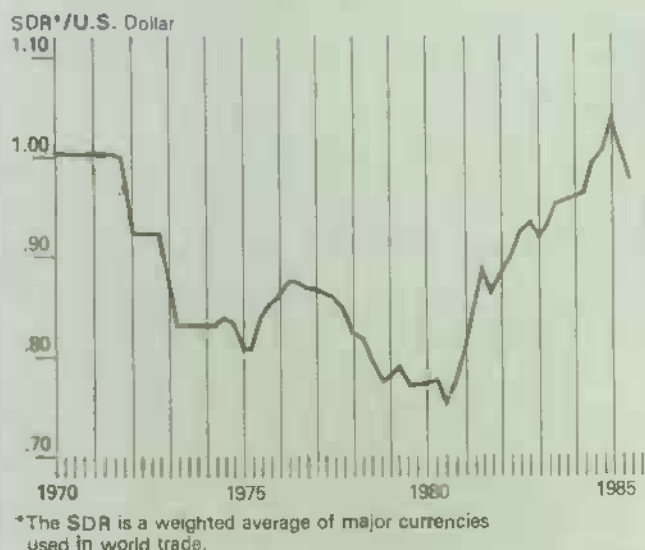
Latin America's Debts Make It Most Vulnerable to Strong Dollar

Developing countries, particularly in Latin America, have been hard hit by the strong dollar, because they must repay their international loans in dollars. Developing-country debt increased steadily over the 1970's, and rose even more rapidly during the world recession in the early 1980's.

Of the \$620 billion of total debt owed by developing countries in 1983, Latin American nations—which are also major markets for U.S. agricultural exports—owed nearly \$257 billion. The two largest Latin American economies, Brazil and Mexico, accounted for over \$144 billion of the Latin American portion. During the 1981-82 recession, these economies were left with large dollar debts and fewer dollars than needed to make interest payments, let alone to continue importing large quantities of U.S. goods.

The strong economic recovery begun in the United States in late 1982 stimulated vigorous U.S. demand for imports, creating in large part the unprecedented U.S. trade deficit seen today. The larger U.S. import demand would normally mean that the countries selling goods to the United States could in turn afford to buy more U.S. exports. However, the increased income that foreign nations have received from U.S. import demand has helped them repay their debt obligations more than it has helped bankroll foreign buying of U.S. farm products.

Dollar Falls a Little, But Still High



How To Bring the Dollar Down?

High real U.S. interest rates continue to offer investors the best financial returns internationally available. However, the size of the U.S. trade deficit, and the possibility of extreme measures to reduce it, have led foreign investors to look at the economic costs of any additional gains from dollar appreciation.

Announcements by the finance ministers and central bank governors of the United States, United Kingdom, Germany, France, and Japan—the Group of Five—have indicated a desire to begin an orderly adjustment of the U.S. dollar. Such an adjustment, if the Group of Five is successful, will improve the U.S. trade balance by causing the major nondollar currencies to appreciate against the dollar.

However, the tools available to these ministers—primarily intervention in foreign exchange markets by selling dollars—are short-term efforts that do not by themselves provide fundamental or stable economic changes. The real problem to be addressed is high real interest rates in the United States.

Slower U.S. investment, both private and Federal, could reduce U.S. interest rates, given unchanged U.S. monetary policy. Alternatively, foreign governments could increase their interest rates to provide comparable returns for foreign capital and shift demand to their own currencies. Either greater government spending to expand their economies or money supply contraction to reduce their inflation rates would raise their interest rates and provide an alternative to investment in the U.S. dollar.

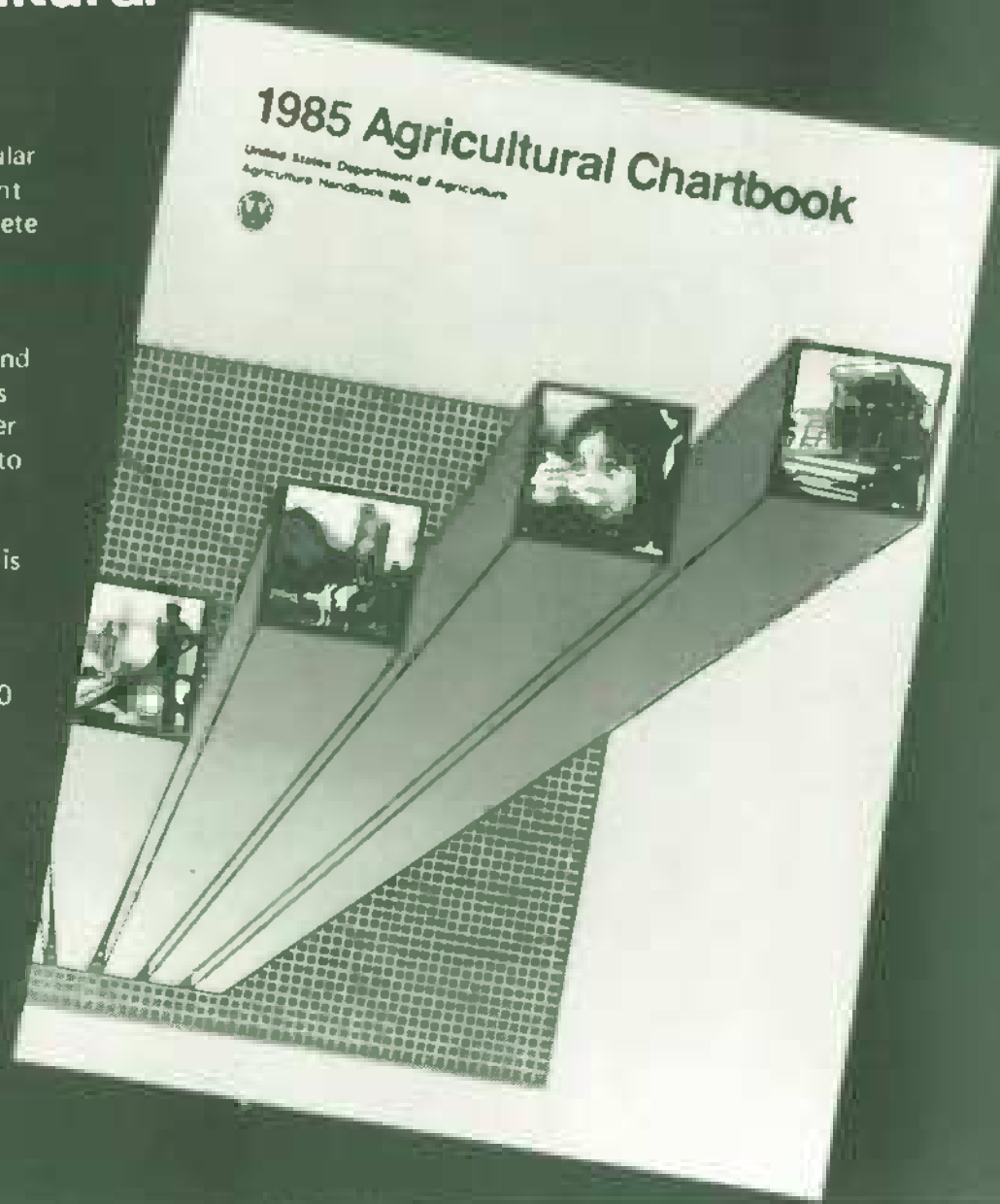
Whether any of these scenarios materializes, the U.S. dollar's exchange value will remain one of the most important factors affecting the level of U.S. agricultural exports. In addition, many foreign producers have increased their agricultural production to help pay debts through increased exports, thus decreasing imports from the United States. Agricultural trade policy effects—either liberalization or increased protectionism—will also prove very important. (Ted Wilson (202) 786-1688)

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Statistical Indicators

Summary Data

Key statistical indicators of the food and fiber sector

	1984	1985					1986		
	Annual	I	II	III	IV F	Annual F	I F	II F	Annual F
Prices received by farmers (1977=100)	142	135	129	123	124	128	--	--	--
Livestock & products	146	144	135	129	133	135	--	--	--
Crops	138	126	124	116	115	120	--	--	--
Prices paid by farmers, (1977=100)									
prod. items	155	154	152	149	148	151	--	--	--
Commodities & services, int., taxes, & wages	164	164	165	163	163	164	--	--	--
Cash receipts 1/ (\$ bil.)*	141	138	134	134	143-147	136-140	--	--	--
Livestock (\$ bil.)	73	72	68	68	68-72	66-70	--	--	--
Crops (\$ bil.)	69	66	67	66	73-77	67-71	--	--	--
Market basket (1967=100)									
Retail cost	279	284	282	282	280	282	--	--	--
Farm value	255	250	237	225	230	236	--	--	--
Spread	293	304	309	315	309	308	--	--	--
Farm value/retail cost (%)	34	33	31	30	30	31	--	--	--
Retail prices (1967=100)									
Food	303	309	310	310	310	310	--*	--	--
At home	292	298	297	296	296	296	--	--	--
Away-from home	333	341	346	349	351	347	--	--	--
Agricultural exports (\$ bil.) 2/	38.0	8.9	6.7	5.6	8.5	31.2	--	--	--
Agricultural imports (\$ bil.) 2/	18.9	5.5	5.0	4.6	4.7	19.7	--	--	--
Livestock & products									
Total livestock & products (1974=100)	114.9	112.4	120.1	121.3	118.7	118.1	115.1	119.8	118.3
Beef (mil. lb.)	23,418	5,691	5,917	6,166	5,725	23,499	5,500	5,475	22,175
Pork (mil. lb.)	14,720	3,618	3,741	3,552	3,775	14,686	3,600	3,675	14,600
Veal (mil. lb.)	479	119	120	126	125	490	115	105	460
Lamb & mutton (mil. lb.)	371	93	83	85	88	349	82	76	315
Red meats (mil. lb.)	38,968	9,521	9,861	9,929	9,713	39,024	9,297	9,331	37,550
Broilers (mil. lb.)	12,999	3,229	3,513	3,485	3,370	13,597	3,590	3,650	14,200
Turkeys (mil. lb.)	2,574	482	627	858	850	2,817	525	660	2,985
Total meats & poultry (mil. lb.)	54,561	13,232	14,001	14,272	13,933	55,438	13,172	13,641	54,735
Eggs (mil. dz.)	5,705	1,430	1,406	1,408	1,460	5,704	1,415	1,400	5,655
Milk (bil. lb.)	135.4	33.6	37.2	36.7	35.7	143.2	36.5	38.8	148.0
Choice steers, Omaha (\$/cwt.)	65.34	62.24	57.66	52.17	58-62	58-59	60-64	63-69	61-67
Barrows & gilts, 7 markets (\$/cwt.)	48.86	47.32	43.09	43.62	42-46	44-45	45-49	43-49	45-51
Broilers-wholesale, 12-city									
Weighted avg. dressed (cts./lb.)	55.6	51.5	50.7	50.9	47-51	50-51	48-52	48-54	47-53
Turkeys-wholesale, N.E., 8-16 lb. hens, dressed (cts./lb.)	74.4	68.9	65.1	77.9	85-89	74-75	60-64	57-63	60-66
Eggs, N.Y. Gr. A large, (cts./dz.)	80.9	61.7	60.0	68.3	73-77	66-67	68-72	65-71	67-73
Milk, all at farm (\$/cwt.)	13.45	13.67	12.50	12.17	12.55-12.75	12.70-12.80	12.40-12.80	11.85-12.45	12.05-12.75
Crop prices at the farm 3/									
Wheat (\$/bu.)	3.38	2.92	3.27	2.94	--	3.00-3.20	--	--	--
Corn (\$/bu.)	2.65	2.64	2.67	2.44	--	2.35-2.55	--	--	--
Soybeans (\$/bu.)	5.85	5.84	5.73	5.17	--	5.00-5.30	--	--	--
Upland cotton (cts./lb.)	4/ 57.5	52.6	58.3	57.2	--	--	--	--	--

1/ Quarterly cash receipts are seasonally adjusted at annual rates. 2/ Annual data are based on Oct.-Sept. fiscal years ending with the indicated year. 3/ Quarterly prices are simple averages; annual prices are for marketing year beginning in year indicated. 4/ Through April 30, 1985 (weighted average). F = Forecast. Numbers may not add to totals due to rounding. *Seasonally adjusted at annual rates.

Farm Prices: Received and Paid

Indexes of prices received and paid by farmers, U.S. average

	Annual			1984	1985					
	1982	1983	1984	Oct	May	June	July	Aug	Sept	Oct p
	1977=100									
Prices received										
All farm products	133	134	142	138	129	128	126	121	121	123
All crops	121	127	138	137	124	122	121	114	112	111
Food grains	146	148	143	142	136	129	123	122	126	125
Food grains & hay	120	143	146	130	133	130	125	118	111	107
Food grains	120	146	148	130	132	130	126	118	109	105
Cotton	92	104	108	107	90	95	96	93	91	94
Tobacco	153	155	153	155	157	157	157	148	157	157
Oil-bearing crops	88	102	109	93	88	87	84	78	76	74
Fruit	175	122	197	287	180	185	184	173	187	186
Fresh market 1/	186	123	214	322	193	198	197	184	200	199
Commercial vegetables	126	130	135	137	113	100	128	121	113	111
Fresh market	120	129	133	138	106	89	125	117	105	103
Potatoes 2/	125	123	157	113	154	168	150	111	93	97
Livestock & products	145	141	146	138	134	134	130	128	128	134
Meat animals	155	147	151	142	143	142	136	133	129	139
Dairy products	140	140	139	144	129	125	125	125	127	129
Poultry & eggs	110	118	135	116	107	114	114	117	127	123
Prices paid										
Commodities & services,										
interest, taxes, & wage rates	157	160	164	163	165	164	163	163	162	162
Production items	150	153	155	152	152	151	150	150	148	148
Feed	122	134	135	125	119	117	115	112	110	108
Feeder livestock	164	160	154	150	158	155	147	148	143	146
Seed	141	141	151	156	150	150	150	150	154	154
Fertilizer	144	137	143	141	135	135	135	135	135	130
Agricultural chemicals	119	125	128	129	128	128	128	128	128	128
Fuels & energy	210	202	201	201	203	204	204	203	203	202
Farm & motor supplies	152	152	147	148	147	147	146	145	145	144
Autos & trucks	159	170	182	183	194	194	194	193	193	193
Tractors & self-propelled machinery	165	174	181	182	180	177	177	177	174	174
Other machinery	160	171	180	183	182	184	184	184	184	184
Building & fencing	135	138	138	137	136	136	136	136	136	136
Farm services & cash rent	145	146	148	148	152	152	152	152	152	152
Interest payable per acre on farm real estate debt	241	250	251	251	250	250	250	250	250	250
Taxes payable per acre on farm real estate	124	129	132	132	135	135	135	135	135	135
Wage rates (seasonally adjusted)	144	148	150	150	158	158	154	154	154	154
Production items, interest, taxes, & wage rates	155	159	161	159	160	159	157	157	156	155
Prices received (1910-14=100)	609	614	649	629	590	585	575	554	551	560
Prices paid, etc. (Parity index) (1910-14=100)	1,078	1,104	1,127	1,123	1,133	1,129	1,124	1,122	1,117	1,116
Parity ratio 3/	57	56	58	56	52	52	51	49	49	50

1/ Fresh market for noncitrus and fresh market and processing for citrus. 2/ Includes sweetpotatoes and dry edible beans. 3/ Ratio of index of prices received to index of prices paid, taxes, and wage rates. (1910-14=100).
p = preliminary.

Prices received by farmers, U.S. average _____

	Annual*			1984	1985					
	1982	1983	1984	Oct	May	June	July	Aug	Sept	Oct p
Crops										
All wheat (\$/bu.)	3.52	3.58	3.46	3.43	3.29	3.09	2.93	2.89	3.00	3.00
Rice, rough (\$/cwt.)	8.36	8.31	8.32	8.08	7.91	7.83	7.54	7.84	7.81	7.69
Corn (\$/bu.)	2.37	2.99	3.05	2.65	2.67	2.63	2.60	2.44	2.28	2.16
Sorghum (\$/cwt.)	4.00	4.89	4.60	4.05	4.55	4.53	4.05	3.84	3.28	3.39
All hay, baled (\$/ton)	69.17	73.66	76.08	71.90	78.90	71.80	68.80	66.90	67.10	66.00
Soybeans (\$/bu.)	5.78	6.73	7.02	6.07	5.70	5.62	5.42	5.09	4.99	4.83
Cotton, Upland (cts./lb.)	55.5	62.9	65.5	64.4	54.7	57.5	58.0	56.0	55.0	56.6
Potatoes (\$/cwt.)	5.10	4.97	6.45	4.26	6.18	6.94	6.04	4.18	3.58	3.76
Dry edible beans (\$/cwt.)	16.82	18.22	20.43	19.90	19.80	19.20	19.80	19.10	16.60	17.00
Apples for fresh use (cts./lb.)	15.3	13.2	16.7	18.4	13.6	12.3	17.5	18.2	17.7	17.3
Pears for fresh use (\$/ton)	300	280	218	282	481	550	—	278	258	332
Oranges, all uses (\$/box) 1/	6.61	3.36	9.01	15.36	8.06	7.78	5.72	4.74	5.01	5.11
Grapefruit, all uses (\$/box) 1/	2.06	1.99	3.05	4.41	2.86	4.19	5.86	5.13	6.07	4.01
Livestock										
Beef cattle (\$/cwt.)	57.00	55.83	57.56	54.10	55.30	53.60	50.20	49.40	49.10	52.80
Calves (\$/cwt.)	60.18	62.13	60.23	58.20	65.60	62.60	60.00	61.40	58.30	59.70
Hogs (\$/cwt.)	53.99	46.23	47.61	43.60	41.40	44.60	45.80	42.50	39.70	43.20
Lambs (\$/cwt.)	54.55	55.47	60.33	62.40	72.40	69.70	70.80	70.80	70.20	67.00
All milk, sold to plants (\$/cwt.)	13.59	13.57	13.45	14.00	12.50	12.10	12.10	12.10	12.30	12.50
Milk, manuf. grade (\$/cwt.)	12.66	12.63	12.54	13.10	11.60	11.30	11.00	11.10	11.40	11.60
Broilers (cts./lb.)	26.8	28.5	33.7	28.7	29.1	31.1	30.6	28.7	31.6	27.7
Eggs (cts./doz.) 2/	58.5	63.1	70.2	55.6	50.0	53.2	52.8	57.8	62.2	63.5
Turkeys (cts./lb.)	37.5	36.5	46.6	51.3	39.4	41.4	44.6	48.3	51.8	57.0
Wool (cts./lb.) 3/	68.0	61.5	76.5	80.2	74.6	72.5	67.9	62.5	61.3	70.1

1/ Equivalent on-tree returns. 2/ Average of all eggs sold by producers including hatching eggs and eggs sold at retail.
3/ Average local market price, excluding incentive payments. *Calendar year averages. p = preliminary.

Producer and Consumer Prices

Consumer Price Index for all urban consumers, U.S. average (not seasonally adjusted) _____

	Annual	1984								
		1985								
	1984	Sept	Feb	Mar	Apr	May	June	July	Aug	Sept
		1967=100								
Consumer price index, all items	311.1	314.5	317.4	318.8	320.1	321.3	322.3	322.8	323.5	324.5
Consumer price index, less food	311.3	315.2	317.4	319.1	320.8	322.4	323.6	324.2	325.0	326.2
All food	302.9	304.2	309.5	309.7	309.6	308.9	309.3	309.5	309.7	309.9
Food away from home	333.4	335.8	341.4	342.6	343.9	345.1	346.9	347.3	348.4	349.9
Food at home	292.6	293.4	298.6	298.4	297.7	296.2	296.0	296.2	295.9	295.6
Meats 1/	268.1	268.0	270.6	269.5	266.4	263.4	263.0	262.7	261.2	260.4
Beef & veal	275.6	271.9	275.6	275.3	273.7	269.0	267.4	264.7	261.8	261.1
Pork	252.5	257.5	258.9	256.5	249.0	247.8	248.6	253.1	253.8	252.1
Poultry	218.5	217.2	219.5	217.3	216.7	213.6	216.0	214.7	213.9	215.9
Fish	386.8	390.6	401.4	403.3	402.8	395.8	397.2	402.7	406.1	408.6
Eggs	209.0	178.6	169.7	172.1	169.9	159.9	158.3	168.4	171.0	185.7
Dairy products 2/	253.2	254.9	259.2	258.9	258.3	258.4	257.8	257.8	257.4	258.0
Fats & oils 3/	288.0	295.1	295.1	294.9	294.0	294.0	296.0	297.8	297.1	294.8
Fruits & vegetables	317.4	319.7	333.0	332.1	333.2	330.3	329.0	328.9	326.3	319.9
Fresh	330.3	332.5	354.1	352.1	353.5	346.9	343.9	343.1	337.4	326.2
Processed	306.1	308.4	312.7	313.0	313.8	315.0	315.5	316.1	316.9	315.9
Cereals & bakery products	305.3	307.9	313.7	314.4	314.8	315.9	317.3	317.3	318.5	319.2
Sugar & sweets	389.1	393.7	394.8	394.8	396.1	397.6	398.3	400.2	401.8	401.1
Beverages, nonalcoholic	443.0	444.0	452.7	454.0	454.0	454.1	451.5	448.2	449.6	452.8
Apparel commodities less footwear	183.2	187.8	183.7	187.6	188.2	187.3	186.3	184.1	187.3	192.6
Footwear	209.5	211.1	210.1	213.1	213.2	213.2	213.9	211.4	210.3	210.9
Tobacco products	310.0	314.1	323.2	323.7	324.0	324.1	324.8	330.0	331.5	332.8
Beverages, alcoholic	222.1	223.1	225.8	226.5	226.7	227.7	227.8	227.8	228.9	229.3

1/ Beef, veal, lamb, pork, and processed meat. 2/ Includes butter. 3/ Excludes butter.

Producer price indexes, U.S. average (not seasonally adjusted)

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
	1967=100									
Finished goods 1/	280.7	285.2	291.1	289.5	293.1	294.1	293.9	294.8	293.5	290.2
Consumer goods	259.3	261.8	273.3	273.0	272.2	269.5	268.5	271.7	269.5	266.5
Fresh fruit	236.9	251.2	252.8	301.5	258.1	244.3	242.1	239.2	269.4	249.9
Fresh & dried vegetables	246.5	248.9	278.3	259.8	274.9	237.9	245.3	286.6	234.9	212.1
Eggs	178.7	n.a.	210.8	177.6	175.1	150.2	147.7	164.0	168.9	188.3
Bakery products	275.4	285.7	299.0	302.1	308.9	309.6	311.4	313.3	315.3	316.1
Meats	250.6	236.7	236.7	235.5	222.7	222.2	224.2	228.9	220.9	213.9
Beef & veal	245.0	236.7	236.9	229.2	220.1	217.3	218.9	214.4	204.1	200.2
Pork	251.1	227.6	226.2	232.0	208.0	211.6	216.1	238.7	229.4	213.8
Poultry	178.7	185.0	206.1	202.1	187.7	189.7	196.5	197.3	194.8	201.9
Fish	422.4	448.2	485.3	453.6	537.6	533.9	437.3	463.0	481.9	486.1
Dairy products	248.9	250.6	251.7	255.2	251.4	250.1	249.4	248.0	247.5	246.2
Processed fruits & vegetables	274.5	277.4	294.3	292.0	298.7	297.7	300.7	299.1	301.0	296.4
Shortening & cooking oils	234.4	256.1	311.5	312.7	310.3	310.5	307.6	301.4	280.7	270.6
Consumer finished goods less foods	287.8	291.4	294.1	291.7	295.8	299.0	298.8	299.0	297.6	294.7
Beverages, alcoholic	197.8	205.0	209.9	210.4	210.3	213.6	211.4	214.7	212.3	214.6
Soft drinks	319.1	327.4	340.5	342.9	347.4	346.1	342.4	343.3	343.4	343.8
Apparel	194.4	197.4	201.3	202.2	203.7	203.8	203.8	204.1	204.7	205.1
Footwear	245.0	250.1	251.7	252.0	255.3	253.9	257.5	257.2	258.5	259.3
Tobacco products	323.2	365.4	399.5	406.7	420.7	420.7	420.7	435.9	436.0	436.0
Intermediate materials 2/	310.4	312.3	320.0	320.3	319.3	319.9	319.3	318.6	317.8	317.9
Materials for food manufacturing	255.1	258.4	271.1	270.0	263.9	261.9	262.1	260.6	253.4	250.2
Flour	183.4	186.4	185.2	182.8	189.8	184.3	182.3	179.1	176.3	178.4
Refined sugar 3/	161.3	172.0	173.5	172.8	165.2	166.1	166.4	165.7	165.7	165.1
Crude vegetable oils	160.1	193.8	262.1	248.8	276.6	255.8	266.4	239.0	190.9	186.2
Crude materials 4/	319.5	323.6	330.8	326.2	311.0	309.1	305.5	303.7	295.5	292.4
Foodstuffs & feedstuffs	247.8	252.2	259.5	252.7	239.9	236.3	234.0	231.9	221.4	215.9
Fruits & vegetables 5/	253.7	262.1	278.1	289.7	277.8	250.9	254.0	275.4	260.9	239.3
Grains	210.9	240.4	239.7	231.4	220.6	214.1	212.7	204.9	185.1	181.1
Livestock	257.8	243.1	251.8	244.9	231.3	227.7	226.7	224.0	211.6	198.5
Poultry, live	191.9	206.5	240.6	239.7	202.3	214.6	223.6	227.6	216.0	244.5
Fibers, plant & animal	202.9	227.0	228.4	210.3	211.3	202.8	199.1	201.7	194.5	191.1
Milk	282.5	282.0	278.3	282.1	271.1	264.9	259.6	256.1	255.1	255.9
Oilseeds	214.5	245.3	253.3	228.3	219.4	214.7	211.4	206.7	190.1	187.3
Coffee, green	311.5	300.1	308.0	310.2	310.2	310.2	310.2	310.2	310.2	310.2
Tobacco, leaf	269.9	274.2	272.7	295.6	279.1	276.4	276.4	276.4	259.6	276.4
Sugar, raw cane	278.5	315.9	312.0	312.6	298.5	301.9	305.2	303.0	296.7	288.8
All commodities	299.3	303.1	310.3	309.5	309.3	309.8	309.5	309.0	307.2	305.8
Industrial commodities	312.3	315.7	322.6	322.3	323.8	325.3	325.2	324.3	323.6	322.5
All foods 6/	254.4	257.5	269.2	268.6	267.1	264.3	262.6	265.5	262.2	258.8
Farm products & processed foods & foods	248.9	253.9	262.4	259.6	253.1	250.2	249.1	250.0	244.4	241.4
Farm products	242.4	248.2	255.8	249.7	236.8	230.4	229.4	229.2	218.0	212.9
Processed foods & foods	251.5	255.9	265.0	264.0	260.9	260.0	258.8	260.3	257.9	256.0
Cereal & bakery products	253.8	261.0	270.5	271.9	278.9	278.0	278.7	279.2	279.9	280.4
Sugar & confectionery	269.7	292.8	301.2	302.7	293.4	294.4	294.7	293.9	292.2	290.6
Beverages	256.9	263.6	273.1	274.7	276.9	276.9	274.4	276.4	275.6	276.7

1/ Commodities ready for sale to ultimate consumer. 2/ Commodities requiring further processing to become finished goods. 3/ All types and sizes of refined sugar. 4/ Products entering market for the first time which have not been manufactured at that point. 5/ Fresh and dried. 6/ Includes all raw, intermediate, and processed foods (excludes soft drinks, alcoholic beverages, and manufactured animal feeds). n.a. = not available.

Farm-Retail Price Spreads

Market basket of farm foods

	Annual			1984		1985				
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Market basket 1/										
Retail cost (1967=100)	266.4	268.7	279.3	280.0	283.3	281.9	281.8	282.3	281.6	281.0
Farm value (1967=100)	247.8	242.3	255.7	251.0	239.5	234.1	238.6	232.6	222.9	219.2
Farm-retail spread (1967=100)	277.4	284.3	293.1	297.1	309.1	310.1	307.1	311.5	316.1	317.3
Farm value/retail cost (%)	34.4	33.4	33.9	33.2	31.3	30.7	31.4	30.5	29.3	28.9
Meat products										
Retail cost (1967=100)	270.3	267.2	268.1	268.0	266.4	263.4	263.0	262.7	261.2	260.4
Farm value (1967=100)	251.3	235.8	241.6	237.8	220.6	215.1	220.2	209.2	192.4	189.2
Farm-retail spread (1967=100)	292.4	304.0	299.0	303.3	320.0	319.9	313.1	325.4	341.8	343.8
Farm value/retail cost (%)	50.2	47.6	48.6	47.9	44.7	44.1	45.2	43.0	39.7	39.2
Dairy products										
Retail cost (1967=100)	247.0	250.0	253.2	254.9	258.3	258.4	257.8	257.8	257.4	258.0
Farm value (1967=100)	261.9	262.1	259.0	263.7	254.0	248.2	247.1	243.7	243.6	241.0
Farm-retail spread (1967=100)	233.9	239.3	248.0	247.2	262.1	267.4	267.2	270.2	269.6	272.9
Farm value/retail cost (%)	49.6	49.0	47.8	48.4	46.0	44.9	44.8	44.2	44.2	43.7
Poultry										
Retail cost (1967=100)	194.9	197.5	218.5	217.2	216.7	213.6	216.0	214.7	213.9	215.9
Farm value (1967=100)	201.9	213.0	251.7	244.2	216.9	217.3	231.2	233.0	227.8	248.9
Farm-retail spread (1967=100)	188.1	182.4	186.4	191.1	216.5	210.0	201.3	197.0	200.4	184.0
Farm value/retail cost (%)	50.7	53.1	56.6	55.3	49.2	50.0	52.6	53.4	52.4	56.7
Eggs										
Retail cost (1967=100)	178.7	187.1	209.0	178.6	169.9	159.9	158.3	168.4	171.0	185.7
Farm value (1967=100)	189.8	206.1	229.6	182.8	161.6	149.4	163.1	162.0	180.6	198.9
Farm-retail spread (1967=100)	162.7	159.5	179.2	172.6	181.9	175.0	151.4	177.7	157.1	166.6
Farm value/retail cost (%)	62.8	65.1	64.9	60.5	56.2	55.2	60.9	56.8	62.4	63.3
Cereal & bakery products										
Retail cost (1967=100)	283.4	292.5	305.3	307.9	314.8	315.9	317.3	317.3	318.5	319.2
Farm value (1967=100)	178.8	186.6	191.9	185.6	188.2	182.1	176.8	168.8	166.2	163.8
Farm-retail spread (1967=100)	305.1	314.0	328.8	333.2	341.0	343.6	346.4	348.0	350.0	351.4
Farm value/retail cost (%)	10.8	11.1	10.8	10.3	10.2	9.9	9.6	9.1	8.9	8.8
Fresh fruits										
Retail cost (1967=100)	323.2	303.6	345.3	388.5	383.1	404.4	401.7	394.9	400.5	391.3
Farm value (1967=100)	288.8	220.6	315.1	352.1	275.2	301.2	298.8	284.9	276.8	274.9
Farm-retail spread (1967=100)	338.7	340.8	358.9	404.8	431.6	450.7	447.9	444.3	456.0	443.5
Farm value/retail cost (%)	27.7	22.5	28.3	28.1	22.3	23.1	23.0	22.4	21.4	21.8
Fresh vegetables										
Retail costs (1967=100)	288.9	299.3	331.8	302.3	340.8	314.3	309.5	317.9	301.4	286.7
Farm value (1967=100)	261.3	267.4	299.3	265.4	291.8	249.1	240.5	310.1	289.9	211.0
Farm-retail spread (1967=100)	301.8	314.3	347.1	319.6	363.8	344.9	342.0	321.6	306.8	322.3
Farm value/retail cost (%)	28.9	28.6	28.9	28.1	27.4	25.3	24.8	31.2	30.8	23.5
Processed fruits & vegetables										
Retail cost (1967=100)	286.0	288.8	306.1	308.4	313.8	315.0	315.5	316.1	316.9	315.9
Farm value (1967=100)	321.1	300.5	343.2	350.5	375.7	376.2	375.8	377.7	376.4	371.5
Farm-retail spread (1967=100)	278.2	286.2	297.8	299.1	300.1	301.4	302.1	302.5	303.7	303.6
Farm value/retail costs (%)	20.4	18.9	20.3	20.6	21.7	21.6	21.6	21.7	21.5	21.3
Fats & oils										
Retail cost (1967=100)	259.9	263.1	288.0	295.1	294.0	294.0	296.0	297.8	297.1	294.8
Farm value (1967=100)	207.8	251.0	324.5	284.7	323.4	321.8	320.9	289.0	244.0	229.1
Farm-retail spread (1967=100)	279.9	267.8	273.9	299.1	282.7	283.3	286.4	301.2	317.5	320.1
Farm value/retail cost (%)	22.2	26.5	31.3	26.8	30.6	30.4	30.1	27.0	22.8	21.6

1/ Retail costs are based on indexes of retail prices for domestically produced farm foods from the CPI-U published monthly by the Bureau of Labor Statistics. The farm value is the payment to farmers for quantity of farm product equivalent to retail unit, less allowance for byproduct. Farm values are based on prices at first point of sale and may include marketing charges such as grading and packing for some commodities. The farm-retail spread, the difference between the retail price and the farm value, represents charges for assembling, processing, transporting, and distributing these foods.

Note: Annual historical data on farm-retail price spreads may be found in Food Consumption, Prices and Expenditure, Statistical Bulletin 713, ERS, USDA.

Farm-retail price spreads

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Beef, Choice										
Retail price 1/ (cts./lb.)	242.5	238.1	239.6	235.2	236.8	234.4	232.0	230.6	225.5	223.6
Net carcass value 2/ (cts.)	150.7	145.4	147.6	139.3	132.9	133.0	131.2	122.6	119.8	121.4
Net farm value 3/ (cts.)	140.5	136.2	140.0	131.6	127.0	125.4	122.9	114.0	112.0	111.1
Farm-retail spread (cts.)	102.0	101.9	99.6	103.6	109.8	109.0	109.1	116.6	113.5	112.5
Carcass-retail spread 4/ (cts.)	91.8	92.7	92.0	95.9	103.9	101.4	100.8	108.0	105.7	102.2
Farm-carcass spread 5/ (cts.)	10.2	9.2	7.6	7.7	5.9	7.6	8.3	8.6	7.8	10.3
Farm value/retail price (%)	58	57	58	56	54	53	53	49	50	50
Pork										
Retail price 1/ (cts./lb.)	175.4	169.8	162.0	163.6	159.3	158.7	157.9	161.7	161.8	159.8
Wholesale value 2/ (cts.)	121.8	108.9	110.1	111.7	97.2	99.6	106.3	99.9	96.8	93.1
Net farm value 3/ (cts.)	88.0	76.5	77.4	75.0	65.8	67.8	73.6	74.6	69.8	64.3
Farm-retail spread (cts.)	87.4	93.3	84.6	88.6	93.5	90.9	84.3	87.1	92.0	95.5
Wholesale-retail spread 4/ (cts.)	53.6	60.9	51.9	51.9	62.1	59.1	51.6	61.8	65.0	66.7
Farm-wholesale spread 5/ (cts.)	33.8	32.4	32.7	36.7	31.4	31.8	32.7	25.3	27.0	28.8
Farm value/retail price (%)	50	45	48	46	41	43	47	46	43	40

1/ Estimated weighted average price of retail cuts from pork and yield grade 3 beef carcasses. Retail prices from BLS.
2/ Value of carcass quantity equivalent to 1 lb. of retail cuts; beef adjusted for value of fat and bone byproducts.
3/ Market value to producer for quantity of live animal equivalent to 1 lb. retail cuts minus value of byproducts.
4/ Represents charges for retailing and other marketing services such as fabricating, wholesaling, and in-city transportation. 5/ Represents charges made for livestock marketing, processing, and transportation to city where consumed.

Price indexes of food marketing costs¹

	Annual			1984			1985		
	1982	1983	1984	II	III	IV	I	II	III p
1967=100									
Labor-hourly earnings and benefits	342.7	354.7	368.1	368.1	367.3	371.3	370.0	366.7	363.8
Processing	350.0	340.9	352.0	352.5	350.6	354.1	356.3	358.4	355.5
Wholesaling	334.7	350.6	374.9	374.4	376.9	380.2	383.9	387.4	391.2
Retailing	358.9	370.4	381.3	380.8	379.8	384.6	377.6	365.8	360.1
Packaging & containers	275.2	280.7	307.6	306.3	308.2	314.8	314.5	313.0	309.1
Paperboard boxes & containers	254.9	251.0	281.1	278.0	284.1	292.5	286.3	280.3	268.7
Metal cans	363.6	374.3	397.3	396.2	391.2	407.4	413.7	414.3	414.6
Paper bags & related products	264.4	265.4	280.9	280.0	282.8	287.3	290.9	289.5	287.1
Plastic films & bottles	200.0	226.2	272.1	272.1	272.1	272.1	272.1	272.1	272.1
Glass containers	355.5	352.4	360.8	362.0	365.7	364.6	367.4	375.1	382.3
Metal foil	213.2	214.0	226.9	227.8	230.0	226.1	216.6	218.2	211.3
Transportation services	371.0	374.5	391.7	390.5	391.9	394.1	394.0	393.9	393.9
Advertising	260.1	280.2	300.3	299.5	302.3	304.7	314.7	317.2	319.7
Fuel & power	705.1	705.1	712.5	711.6	718.5	709.0	695.1	702.8	689.8
Electric	406.0	417.9	440.0	437.0	455.7	443.5	446.5	452.5	462.9
Petroleum	1,012.4	895.9	880.1	884.0	863.3	857.5	818.6	823.0	766.4
Natural gas	990.3	1,155.0	1,162.9	1,159.4	1,181.9	1,173.0	1,155.0	1,173.3	1,170.8
Communications, water & sewage	186.7	199.6	215.5	214.1	216.6	219.1	219.7	222.4	228.0
Rent	264.3	260.6	261.6	260.9	262.4	264.4	266.2	266.3	266.8
Maintenance & repair	325.1	338.2	350.3	348.5	352.1	354.5	357.9	358.4	360.7
Business services	277.2	291.9	306.1	304.4	308.4	311.7	315.8	318.0	321.4
Supplies	289.1	286.5	288.5	289.1	289.0	288.3	287.7	287.6	288.2
Property taxes & insurance	309.9	327.5	343.7	343.0	345.2	348.9	353.8	358.1	365.5
Interest, short-term	232.6	174.0	198.8	210.8	218.1	181.1	170.1	154.8	151.1
Total marketing cost index	333.9	342.4	358.1	357.6	358.8	361.5	361.2	360.0	358.0

1/ Indexes measure changes in employee wages and benefits and in prices of supplies and services used in processing, wholesaling, and retailing U.S. farm foods purchased for at-home consumption. p = preliminary.

Note: Annual historical data on food marketing cost indexes may be found in Food Consumption, Prices, and Expenditures, Statistical Bulletin 713, ERS, USDA.

Livestock and Products

Poultry and eggs

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Broilers										
Federally inspected slaughter, certified (mil. lb.)	12,039	12,389	12,999	1,026.1	1,196.6	1,221.5	1,094.8	1,203.3	1,211.1	1,070.4
Wholesale price, 9-city, (cts./lb.) 1/	44.0	49.4	55.6	53.5	47.8	50.9	53.4	50.2	50.1	52.2
Price of grower feed (\$/ton)	210	223	233	221	207	199	196	196	192	189
Broiler-feed price ratio (lb.) 2/	2.6	2.6	2.8	2.8	2.8	2.9	3.2	3.1	3.0	3.3
Stocks beginning of period (mil. lb.)	32.6	22.3	21.2	20.4	24.1	26.2	27.4	28.5	30.1	29.4
Avg. weekly placements of broiler chicks, 19 States (mil.)	80.2	80.4	83.1	80.1	90.3	90.1	90.4	87.0	86.4	84.3
Turkeys										
Federally inspected slaughter, certified (mil. lb.)	2,459	2,563	2,574	255.4	177.3	212.3	238.3	271.1	300.4	286.3
Wholesale price, New York, 8-16 lb. young hens (cts./lb.)	60.8	60.5	74.4	76.2	64.6	62.6	68.1	72.8	78.4	82.4
Price of turkey grower feed (\$/ton)	229	247	245	239	214	212	211	210	211	209
Turkey-feed price ratio (lb.) 2/	3.3	3.0	3.8	3.9	3.8	3.7	3.9	4.2	4.6	5.0
Stocks beginning of period (mil. lb.)	238.4	203.9	161.8	331.3	131.1	157.0	181.7	243.3	304.7	387.8
Poults placed in U.S. (mil.)	(4/)	181.8	190.0	8.7	20.5	21.9	20.1	19.4	15.4	10.8
Eggs										
Farm production (mil.)	69,680	68,169	68,193	5,619	5,668	5,721	5,481	5,660	5,688	5,549
Average number of layers (mil.)	286	276	278	279	274	271	269	271	273	275
Rate of lay (eggs per layer on farms)	243	247	245	20.1	20.7	21.1	20.3	20.9	20.9	20.2
Cartoned price, New York, grade A large (cts./doz.) 3/	70.1	75.2	80.9	69.8	59.9	55.7	64.4	60.2	69.8	73.5
Price of laying feed (\$/ton)	190	204	206	198	186	183	182	181	178	177
Egg-feed price ratio (lb.) 2/	6.1	6.2	6.8	5.9	5.7	5.5	5.8	5.8	6.5	7.0
Stocks, first of month										
Shell (thou. cases)	34	34	13	31	23	26	30	21	30	20
Frozen (mil. lb.)	21.6	25.4	11.8	16.6	13.5	13.2	15.1	14.8	18.0	18.4
Replacement chicks hatched (mil.)	444	407	459	33.1	41.1	39.1	34.0	31.8	32.2	33.5

1/ 12-city composite weighted average beginning April 25, 1983. 2/ Pounds of feed equal in value to 1 dozen eggs or 1 lb. of broiler or turkey liveweight. 3/ Price of cartoned eggs to volume buyers for delivery to retailers. 4/ Not reported.

Wool

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
U.S. wool price,										
Boston 1/ (cts./lb.)	247	212	229	230	182	191	193	193	193	193
Imported wool price,										
Boston 2/ (cts./lb.)	262	248	241	228	183	190	190	195	196	194
U.S. mill consumption, scoured										
Apparel wool (thou. lb.)	105,857	126,729	128,982	11,217	8,765	9,284	10,644	6,526	7,640	10,523
Carpet wool (thou. lb.)	9,825	13,851	13,088	970	977	963	797	691	1,075	1,120

1/ Wool price delivered at U.S. mills, clean basis, Graded Territory 64's (20.60-22.04 microns) staple 2-3/4" and up. 2/ Wool price delivered at U.S. mills, clean basis, Australian 60/62's, type 64A (24 micron). Duty since 1982 has been 10.0 cents.

Dairy

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Milk prices, Minnesota-Wisconsin,										
3.5% fat (\$/cwt.) 1/	12.49	12.49	12.29	12.64	11.62	11.46	11.20	11.10	11.08	11.12
Price of 16% dairy ration (\$/ton)	177	188	191	184	171	170	168	168	165	163
Milk-feed price ratio (lb.) 2/	1.54	1.45	1.42	1.48	1.51	1.47	1.44	1.44	1.47	1.51
Wholesale prices										
Butter, Grade A Chi. (cts./lb.)	147.7	147.3	148.8	158.1	141.9	141.9	141.9	141.5	140.7	141.2
Am. cheese, Wis. assembly pt. (cts./lb.)	138.3	138.3	138.0	144.3	129.9	128.0	126.7	124.7	124.2	124.3
Nonfat dry milk, (cts./lb.) 3/	93.2	93.2	90.9	90.7	84.5	84.5	83.3	81.4	80.9	80.8
USDA net removals										
Total milk equiv. (mil. lb.) 4/	14,281.6	16,813.7	8,637.0	46.5	1,496.5	1,451.2	1,289.6	1,143.4	755.0	718.7
Butter (mil. lb.)	382.0	413.2	202.3	-2.4	36.6	42.1	29.2	20.2	11.9	13.3
Am. cheese (mil. lb.)	642.5	832.8	447.3	9.3	74.4	58.3	69.1	72.7	51.0	44.7
Nonfat dry milk (mil. lb.)	948.1	1,061.0	678.4	29.4	86.8	94.5	109.3	104.7	87.2	71.4
Milk										
Total milk production (mil. lb.)	135,505	139,672	135,444	10,777	12,007	12,790	12,434	12,403	12,291	11,960
Milk per cow (lb.)	12,306	12,585	12,495	996	1,101	1,164	1,128	1,120	1,107	1,072
Number of milk cows (thou.)	11,011	11,098	10,840	10,825	10,903	10,984	11,025	11,070	11,103	11,154
Stocks, beginning 4/										
Total (mil. lb.)	18,377	20,054	22,646	21,805	15,510	15,023	15,480	16,045	16,130	15,834
Commercial (mil. lb.)	5,398	4,603	5,234	5,439	4,970	4,977	5,323	5,525	5,528	5,250
Government (mil. lb.)	12,980	15,451	17,412	16,367	10,540	10,046	10,157	10,520	10,602	10,585
Imports, total (mil. lb.) 4/	2,477	2,616	2,741	223	186	177	224	196	214	238
Commercial disappearance milk equiv. (mil. lb.)	122,135	122,474	126,770	10,971	10,468	10,972	10,974	11,255	11,829	11,483
Butter										
Production (mil. lb.)	1,257.0	1,299.2	1,103.3	67.5	110.8	112.9	97.3	94.7	91.3	93.6
Stocks, beginning (mil. lb.)	429.2	466.8	499.4	462.7	291.7	272.7	283.2	286.8	280.7	264.6
Commercial disappearance (mil. lb.)	897.3	881.7	902.7	74.3	70.7	65.4	68.9	73.4	90.4	80.1
American cheese										
Production (mil. lb.)	2,752.3	2,927.7	2,648.2	187.4	251.2	271.5	265.5	251.4	248.9	221.8
Stocks, beginning (mil. lb.)	889.1	981.4	1,161.5	1,141.4	874.0	857.2	878.0	925.0	941.1	946.3
Commercial disappearance (mil. lb.)	2,166.8	2,083.3	2,253.6	194.3	192.1	193.7	178.9	188.2	203.2	194.6
Other cheese										
Production (mil. lb.)	1,789.4	1,891.8	2,025.5	170.4	172.6	179.7	175.8	177.9	175.8	182.4
Stocks, beginning (mil. lb.)	86.6	82.8	104.9	102.5	101.3	106.8	108.0	107.3	110.0	106.1
Commercial disappearance (mil. lb.)	2,044.6	2,134.3	2,310.9	199.1	185.6	198.8	201.4	195.6	202.6	216.3
Nonfat dry milk										
Production (mil. lb.)	1,400.5	1,499.9	1,158.9	70.8	126.0	139.9	143.2	141.5	132.2	105.8
Stocks, beginning (mil. lb.)	889.7	1,282.0	1,405.2	1,359.2	1,111.7	1,089.5	1,100.3	1,085.0	1,105.6	1,068.7
Commercial disappearance (mil. lb.)	447.7	459.9	496.0	47.2	33.6	36.3	19.9	43.7	51.0	34.2
Frozen dessert										
production (mil. gal.) 5/	1,178.2	1,224.2	1,229.6	102.6	107.0	122.2	125.3	136.6	126.7	106.5

1/ Manufacturing grade milk. 2/ Pounds of 16% protein ration equal in value to 1 pound of milk. 3/ Prices paid f.o.b. Central States production area, high heat spray process. 4/ Milk-equivalent, fat-basis. 5/ Ice cream, ice milk, and hard sherbet.

Meat animals

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Cattle on feed (7-States)										
Number on feed (thou. head) 1/	7,201	8,316	8,006	6,747	7,814	7,495	7,444	7,052	6,394	6,137
Placed on feed (thou. head)	20,261	19,727	20,772	2,265	1,417	1,666	1,267	1,073	1,502	1,988
Marketings (thou. head)	18,007	18,680	18,785	1,489	1,603	1,589	1,572	1,670	1,697	1,603
Other disappearance (thou. head)	1,139	1,354	1,376	81	133	128	87	61	62	79
Beef steer-corn price ratio,										
Omaha (bu.) 2/	26.5	20.6	21.6	21.3	21.5	21.5	21.0	20.6	21.7	21.8
Hog-corn price ratio, Omaha (bu.) 2/	22.9	15.9	16.1	16.0	15.2	15.7	16.9	17.9	18.2	17.1
Market prices (\$ per cwt.)										
Slaughter cattle:										
Choice steers, Omaha	64.22	62.37	65.34	64.36	58.72	58.58	56.69	53.26	51.94	51.29
Utility cows, Omaha	39.96	39.35	39.81	39.20	42.30	41.97	39.38	36.10	35.90	34.78
Choice vealers, S. St. Paul	77.70	72.97	63.95	52.50	60.00	60.00	63.44	62.25	58.59	60.00
Feeder cattle:										
Choice, Kansas City, 600-700 lb.	64.82	63.70	65.28	63.98	68.60	67.04	65.40	60.76	61.52	60.25
Slaughter hogs:										
Barrows & gilts, 7-markets	55.44	47.71	48.86	47.33	41.41	42.17	45.68	46.99	43.50	40.38
Feeder pigs:										
S. Mo. 40-50 lb. (per head)	51.14	34.03	39.12	34.95	43.67	39.39	36.74	31.74	34.17	31.11
Slaughter sheep & lambs:										
Lambs, Choice, San Angelo	56.44	57.40	62.18	64.75	72.50	73.32	63.88	71.50	71.69	69.75
Ewes, Good, San Angelo	21.80	16.85	20.90	18.31	31.97	30.10	32.88	37.94	32.50	33.62
Feeder lambs:										
Choice, San Angelo	53.31	54.87	61.02	59.56	65.50	74.25	71.84	73.82	74.34	76.50
Wholesale meat prices, Midwest										
Choice steer beef, 600-700 lb.	101.31	97.83	98.01	94.37	89.20	89.52	88.48	82.22	80.02	81.14
Canner & Cutter cow beef	78.96	78.48	74.70	70.75	77.22	78.06	75.41	73.32	74.02	70.23
Pork loins, 8-14 lb. 3/	111.51	—	96.36	97.57	79.90	84.03	90.59	96.85	93.77	89.44
Pork bellies, 12-14 lb.	76.54	60.58	60.08	58.00	58.83	58.64	70.15	62.53	54.17	51.40
Hams, skinned, 14-17 lb.	91.47	75.60	78.22	75.78	65.18	63.07	63.44	65.79	63.92	65.00
Commercial slaughter (thou. head)*										
Cattle	35,843	36,649	37,570	3,039	2,971	3,173	2,878	3,139	3,215	2,998
Steers	17,277	17,486	17,474	1,376	1,377	1,553	1,434	1,523	1,519	1,397
Heifers	10,394	10,758	10,691	892	979	981	873	987	1,060	978
Cows	7,354	7,597	8,617	702	554	567	509	562	569	560
Bulls & stags	818	808	788	68	61	72	62	67	67	63
Calves	3,021	3,076	3,292	267	270	264	235	291	289	292
Sheep & lambs	6,449	6,619	6,758	548	534	509	438	502	517	497
Hogs	82,190	87,584	85,156	6,643	7,381	7,563	6,394	6,600	7,017	6,941
Commercial production (mil. lb.)										
Beef	22,366	23,058	23,410	1,904	1,935	2,088	1,894	2,059	2,122	1,985
Veal	423	429	477	39	41	42	37	43	41	42
Lamb & mutton	356	368	372	29	30	29	24	28	29	28
Pork	14,121	15,120	14,718	1,139	1,288	1,328	1,125	1,146	1,210	1,196

	Annual			1984			1985			
	1982	1983	1984	I	II	IV	I	II	III	IV
Cattle on feed (13-States)										
Number on feed (thou. head) 1/	9,028	10,271	9,908	9,340	8,700	9,000	10,635	9,676	8,660	7,914
Placed on feed (thou. head)	24,414	23,776	24,884	5,562	6,252	7,559	5,321	5,186	5,465	—
Marketings (thou. head)	21,799	22,548	22,525	5,620	5,684	5,507	5,907	5,763	5,967 5/	5,276
Other disappearance (thou. head)	1,373	1,591	1,632	582	268	417	373	439	244	—
Hogs & pigs (10-States) 4/										
Inventory (thou. head) 1/	42,890	44,150	42,420	40,070	41,915	43,180	42,420	39,530	41,450	41,820
Brooding (thou. head) 1/	5,708	5,638	5,348	5,446	5,771	5,550	5,348	5,215	5,397	5,377
Market (thou. head) 1/	37,182	38,512	37,072	34,624	36,144	37,630	37,072	34,315	36,053	36,443
Farrowings (thou. head)	9,062	9,735	9,020	2,481	2,259	2,316	1,935	2,420	2,191 5/	2,268
Pig crop (thou. head)	66,797	72,733	67,680	18,814	17,158	17,420	14,538	18,762	16,941	—

1/ Beginning of period. 2/ Bushels of corn equal in value to 100 pounds live-weight. 3/ Beginning January 1984 prices are for 14-17 lbs. 4/ Quarters are Dec. preceding year-Feb. (I), Mar.-May (II), June-Aug. (III), and Sept.-Nov. (IV). 5/ Intentions. *Classes estimated.

Crops and Products

Food grains

	Marketing year 1/			1984	1985					
	1981/82	1982/83	1983/84	Sept	Apr	May	June	July	Aug	Sept
Wholesale prices										
Wheat, No. 1 HRW, Kansas City (\$/bu.) 2/	4.27	3.94	3.83	3.89	3.62	3.34	3.38	3.17	3.03	3.07
Wheat, DNS, Minneapolis (\$/bu.) 2/	4.17	3.94	4.21	3.97	3.64	3.35	3.54	3.29	2.87	2.97
Rice, S.W. La. (\$/cwt.) 3/	20.20	18.00	19.38	18.25	18.00	18.00	18.00	17.67	17.50	17.50
Wheat										
Exports (mil. bu.)	1,771	1,509	1,429	245	76	63	90	69	90	77
Mill grind (mil. bu.)	631	656	694	55	55	58	54	54	60	n.a.
Wheat flour production (mil. cwt.)	280	292	308	24	25	26	24	24	27	n.a.

	Marketing year 1/			1984				1985			
	1981/82	1982/83	1983/84	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	p
Wheat											
Stocks, beginning (mil. bu.)	989	1,159	1,515	2,326	1,756	1,398	2,740	2,141	1,667	1,424.3	
Domestic use											
Food (mil. bu.)	602	616	635	163	102	212	167	165	105.5	220.1	
Feed & seed (mil. bu.) 4/	254	318	477	44	31	395	59	44	0	330.7	
Exports (mil. bu.)	1,771	1,509	1,429	364	226	645	374	266	139.1	326.6	

1/ Beginning June 1 for wheat and August 1 for rice. 2/ Ordinary protein. 3/ Long-grain, milled basis. 4/ Feed use approximated by residual. n.a. = not available.

Feed grains

	Marketing year 1/			1984	1985					
	1981/82	1982/83	1983/84	Sept	Apr	May	June	July	Aug	Sept
Wholesale prices										
Corn, No. 2 yellow, St. Louis (\$/bu.)	2.61	2.98	3.45	3.09	2.88	2.81	2.79	2.72	2.47	2.38
Sorghum, No. 2 yellow, Kansas City (\$/cwt.)	4.28	4.92	5.13	4.46	4.76	4.74	4.74	4.50	4.06	3.56
Barley, feed, Minneapolis (\$/bu.)	2.21	1.76	2.48	2.05	2.05	2.05	1.90	1.66	1.46	1.40
Barley, malting, Minneapolis (\$/bu.)	3.06	2.53	2.84	2.44	2.52	2.55	2.46	2.25	2.03	2.15
Exports										
Corn (mil. bu.)	1,967	1,870	1,865	108	169	138	108	97	92	81
Feed grains (mil. metric tons) 2/	58.4	54.0	55.8	4.6	4.9	4.0	3.4	3.0	2.9	2.8

	Marketing year 1/			1984				1985			
	1981/82	1982/83	1983/84	Jan-Mar	Apr-May	June-Sept	Oct-Dec	Jan-Mar	Apr-May	June-Sept	p
Corn											
Stocks, beginning (mil. bu.)	1,034	2,174	3,120	4,913	3,251	2,145	723	5,856	3,961	2,832	
Domestic use:											
Food (mil. bu.)	4,202	4,522	3,736	969	580	553	1,683	1,147	618	653	
Food, seed, ind. (mil. bu.)	812	898	973	184	187	383	235	201	205	423	
Feed grains 2/											
Stocks, beginning (mil. metric tons)	34.6	68.2	97.3	154.9	104.3	70.6	44.1	181.9	123.5	89.1	
Domestic use:											
Food (mil. metric tons)	128.5	139.5	117.4	29.4	18.1	20.3	53.6	35.9	19.1	21.8	
Food, seed, ind. (mil. metric tons)	25.8	27.9	29.8	5.9	6.1	11.2	7.1	6.3	6.7	12.3	

1/ Beginning October 1 for corn and sorghum; June 1 for oats and barley. 2/ Aggregated data for corn, sorghum, oats, and barley.

Fats and oils

	Marketing year 1/			1984	1985					
	1982/83	1983/84	1984/85	Sept	Apr	May	June	July	Aug	Sept
Soybeans										
Wholesale price, No. 1 yellow, Chicago (\$/bu.) 2/	6.11	7.78	5.88	6.10	6.00	5.76	5.78	5.58	5.20	5.15
Crushings (mil. bu.)	1,108.0	983	1,030.5	65.5	83.2	89.3	82.7	81.9	77.5	76.5
Exports (mil. bu.)	905.2	740.3	600.7	18.9	65.4	33.1	18.2	19.2	26.3	31.5
Soybean oil										
Wholesale price, crude, Decatur (cts./lb.)	20.6	30.55	29.50	27.97	33.63	32.49	32.46	29.07	24.08	22.58
Production (mil. lb.)	12,040.4	10,872.0	10,614.5	755.9	917.5	983.3	918.8	912.6	868.7	853.3
Domestic disp. (mil. lb.)	9,857.3	9,598	9,777.9	750.1	894.8	890.0	754.8	745.9	807.1	826.3
Exports (mil. lb.)	2,024.7	1,814	1,557.1	156.3	66.8	52.4	138.8	174.4	70.1	102.7
Stocks, beginning (mil. lb.)	1,102.5	1,261	720.5	871.1	715.6	665.9	706.7	731.9	724.2	715.7
Soybean meal										
Wholesale price, 44% protein, Decatur (\$/ton)	187.19	188.21	117.08	144.90	117.90	111.5	110.25	114.00	121.40	130.60
Production (thou. ton)	26,713.6	22,756.2	22,729.1	1,559.0	1,958.3	2,100.9	1,952.7	1,934.0	1,831.4	1,800.4
Domestic disp. (thou. ton)	19,306.0	17,541.0	18,479.7	1,380.2	1,585.7	1,703.6	1,525.9	1,602.4	1,571.5	1,459.9
Exports (thou. ton)	7,108.7	5,436.1	4,504.8	166.1	387.4	331.3	353.0	338.7	364.4	411.7
Stocks, beginning (thou. ton)	175.2	474	255.4	242.7	444.6	429.8	495.8	569.6	562.5	458.0
Margarine, wholesale price, Chicago (cts./lb.)	41.1	46.3	55.4	55.25	56.00	55.50	55.50	54.30	52.00	49.10

1/ Beginning September 1 for soybeans; October 1 for soybean meal and oil; calendar year for margarine. 2/ Beginning April 1, 1982, prices based on 30-day delivery, using upper end of the range.

Cotton

	Marketing year 1/			1984	1985					
	1981/82	1982/83	1983/84	Sept	Apr	May	June	July	Aug	Sept
U.S. price, SLN, 1-1/16 in. (cts./lb.) 2/	60.5	63.1	73.1	61.2	61.7	60.1	59.8	59.5	57.9	56.4
Northern Europe prices:										
Index (cts./lb.) 3/	73.8	76.7	87.6	73.2	66.3	65.1	62.8	61.1	57.0	53.4
U.S. M 1-3/32" (cts./lb.) 4/	75.9	78.0	87.1	74.0	75.9	74.8	72.4	70.4	68.2	67.9
U.S. mill consumption (thou. bales)	5,263.8	5,512.8	5,883.5	533.0	439.5	459.8	550.0	387.0	480.1	587.1
Exports (thou. bales)	6,567.3	5,206.8	6,786.0	758.5	577.8	453.0	375.3	268.0	206.9	200.3

1/ Beginning August 1. 2/ Average spot market. 3/ Liverpool Outlook "A" index; average of five lowest priced of 10 selected growths. 4/ Memphis territory growths.

Fruit

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Producer price indexes										
Fresh fruit (1967=100)	235.4	250.6	260.2	301.5	258.6	244.6	242.1	239.2	269.4	249.9
Dried fruit (1967=100)	409.7	409.3	385.2	360.5	356.2	362.2	362.2	362.2	362.2	369.1
Canned fruit & juice (1967=100)	283.7	286.8	312.5	311.1	325.1	325.0	326.8	328.1	328.2	324.6
Frozen fruit & juice (1967=100)	305.5	300.9	350.8	358.0	372.7	373.5	371.5	369.9	364.6	362.2
F.o.b. shipping point prices										
Apples, Yakima Valley (\$/ctn.) 1/	n.a.	n.a.	n.a.	14.50	16.38	16.47	16.30	15.63	14.13	16.17
Pears, Yakima Valley (\$/box) 2/	n.a.	n.a.	n.a.	12.63	15.50	12.14	23.50	n.a.	15.00	13.88
Oranges, U.S. avg. (\$/box) 3/	11.10	14.40	15.20	24.40	17.00	16.50	16.50	15.90	15.80	13.90
Grapefruit, U.S. avg. (\$/box) 3/	9.03	9.13	10.10	11.50	11.70	13.50	14.80	15.10	14.50	14.44
	Year ending			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Stocks, ending										
Fresh apples (mil. lb.)	3,082.3	2,980.1	3,171.5	1,235.5	910.4	485.1	291.2	132.4	34.4	1,693.0
Fresh pears (mil. lb.)	180.9	250.6	184.9	396.1	34.1	10.3	1.5	5.1	92.5	398.7
Frozen fruit (mil. lb.)	627.5	644.7	694.5	704.8	458.5	442.2	527.4	707.0	733.8	761.1
Frozen fruit juices (mil. lb.)	1,157.6	924.9	941.9	913.2	1,579.0	1,632.2	1,430.2	1,405.9	1,286.2	1,214.8

1/ Red Delicious, Washington, extra fancy, carton tray pack, 80-113's. 2/ O'Anjou, Washington, standard box wrapped, U.S. No. 1, 90-135's. 3/ F.O.B. packed fresh. n.a. = not available.

Vegetables

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Wholesale prices										
Potatoes, white, f.o.b. East (\$/cwt.)	6.05	7.76	8.16	6.79	6.92	8.15	6.56	3.25	3.13	2.85
Iceberg lettuce (\$/crt.) 1/	5.92	6.29	5.08	6.65	4.87	3.92	2.90	5.62	6.18	5.50
Tomatoes (\$/crt.) 2/	7.40	8.69	8.52	6.38	11.40	4.17	5.81	4.55	3.98	3.38
Wholesale price index, 10 canned veg. (1977=100)	137	138	145	146	143	144	143	143	143	135
Grower price index, fresh commercial veg. (1977=100)	120	129	133	126	118	106	89	125	117	105

1/ Std. carton 24's f.o.b. shipping point. 2/ 5 x 6 - 6 x 6, f.o.b. Fla-Cal.

Tobacco

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Prices at auctions 1/										
Flue-cured (cts./lb.)	178.6	177.9	181.0	1.87	--	--	--	--	1.61	1.79
Burley (cts./lb.)	180.3	179.5	187.6	--	--	--	--	--	--	--
Domestic consumption 2/										
Cigarettes (bil.)	634.0	600.0	600.4	53.5	52.7	52.0	57.4	50.8	--	--
Large cigars (mil.)	3,667	3,605	3,491	303.5	240.9	293.4	299.3	232.9	--	--

1/ Crop year July-June for flue-cured, October-September for burley. 2/ Taxable removals.

Sugar

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
U.S. raw sugar price, N.Y. (cts./lb.) 1/	19.92	22.04	21.74	21.70	20.93	21.09	21.27	21.23	20.59	19.51
U.S. deliveries (thou. short tons) 2/	9,153	8,812	8,435	2,231	n.a.	n.a.	1,952	n.a.	n.a.	n.a.

1/ Spot price reported by (New York) Coffee, Sugar, and Cocoa Exchange, Inc. After May 1985, price based on nearby futures prices, Connel Commodities, Company. 2/ Raw value. Quarterly data shown at end of quarter in March, June, Sept., & Dec. Excludes Hawaii. n.a. = not available.

Coffee

	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept p
Composite green price, N.Y. (cts./lb.)	132.00	131.51	142.95	143.84	134.61	134.64	134.83	125.70	124.99	123.79
Imports, green bean equivalent (mil. lb.) 1/	2,352	2,260	2,414	194	193	175	235	166	238	245
	Annual			1984	1985					
	1982	1983	1984	Jan-Mar	Apr-June	July-Sept	Oct-Dec	Jan-Mar	Apr-June	July-Sept p
Roastings (mil. lb.) 2/	2,293	2,238	2,287	575	518	557	637	573	490	540

1/ Green and processed coffee. 2/ Instant soluble and roasted coffee. p = preliminary.

Supply and Utilization: Crops

Supply and utilization: domestic measure¹

	Area					Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 3/
	Planted	Harvested	Yield	Production	Total supply 2/						
	Mil. acres	Bu/acre									\$/bu
Wheat											
1981/82	88.3	80.6	34.5	2,785	3,777	135	712	1,771	2,618	1,159	3.65
1982/83	86.2	77.9	35.5	2,765	3,932	195	713	1,509	2,417	1,515	3.55
1983/84*	76.4	61.4	39.4	2,420	3,939	376	735	1,429	2,540	1,399	3.53
1984/85*	79.2	66.9	38.8	2,595	4,003	411	743	1,424	2,578	1,425	3.38
1985/86*	75.8	64.6	37.4	2,419	3,852	350	760	1,000	2,110	1,742	3.00-3.20
Rice											
	Mil. acres	lb/acre					Mil. cwt (rough equiv.)				\$/cwt
1981/82	3.83	3.79	4,819	182.7	199.6	4/ 9.0	59.6	82.0	150.6	49.0	9.05
1982/83	3.30	3.26	4,710	153.6	203.4	4/ 8.9	54.0	68.9	131.8	71.5	8.11
1983/84*	2.19	2.17	4,598	99.7	171.9	4/ 5.6	49.1	70.3	125.0	46.9	8.76
1984/85*	2.60	2.78	4,926	137.0	185.4	4/ 6.2	52.4	62.1	120.7	64.7	8.25
1985/86*	2.47	2.43	5,413	131.5	198.2	4/ 6.0	54.0	57.0	117.0	81.2	7.75-8.75
Corn											
	Mil. acres	Bu/acre					Mil. bu				\$/bu
1981/82	84.1	74.5	108.9	8,119	9,154	4,202	812	1,967	6,980	2,174	2.50
1982/83	81.9	72.7	113.2	8,235	10,410	4,522	898	1,870	7,290	3,120	2.68
1983/84*	60.2	51.5	81.1	4,175	7,297	3,736	973	1,865	6,574	723	3.25
1984/85*	80.4	71.8	106.6	7,656	8,383	4,100	1,065	1,838	7,003	1,379	2.65
1985/86*	83.2	74.8	116.6	8,717	10,097	4,300	1,120	1,625	7,045	3,052	2.35-2.55
Sorghum											
	Mil. acres	Bu/acre					Mil. bu				\$/bu
1981/82	15.9	13.7	64.0	876	984	428	11	249	688	296	2.38
1982/83	16.0	14.1	59.1	835	1,131	507	10	214	731	400	2.52
1983/84*	11.9	10.0	48.7	488	888	381	10	246	637	251	2.84
1984/85*	17.2	15.3	56.4	866	1,117	526	20	299	846	271	2.40
1985/86*	17.9	16.2	69.6	1,127	1,398	550	20	275	845	553	2.15-2.35
Barley											
	Mil. acres	Bu/acre					Mil. bu				\$/bu
1981/82	9.6	9.0	52.4	474	620	198	174	100	473	148	2.44
1982/83	9.5	9.0	57.2	516	675	241	170	47	458	217	2.22
1983/84*	10.4	9.7	52.3	509	733	283	169	92	544	189	2.50
1984/85*	11.9	11.2	53.4	597	796	302	170	77	549	247	2.30
1985/86*	13.1	11.8	50.9	599	853	300	170	35	505	348	1.95-2.15
Oats											
	Mil. acres	Bu/acre					Mil. bu				\$/bu
1981/82	13.6	9.4	54.2	510	688	453	76	70	536	152	1.89
1982/83	14.0	10.3	57.8	593	749	441	85	25	529	220	1.49
1983/84*	20.3	9.1	52.6	477	727	466	78	2	546	181	1.67
1984/85*	12.4	8.1	58.1	472	687	432	74	1	507	180	1.71
1985/86*	13.1	8.8	61.4	537	742	425	80	2	507	235	1.20-1.40
Soybeans											
	Mil. acres	Bu/acre					Mil. bu				\$/bu
1981/82	67.8	66.4	30.1	2,000	2,318	5/ 93	1,030	929	2,052	266	6.04
1982/83	70.9	69.4	31.5	2,190	2,444	5/ 86	1,108	905	2,099	345	5.69
1983/84*	63.8	62.5	26.2	1,636	1,981	5/ 79	983	743	1,805	176	7.81
1984/85*	67.7	66.1	28.1	1,861	2,037	5/ 91	1,030	598	1,719	318	5.85
1985/86*	63.2	62.2	34.2	2,129	2,447	5/ 87	1,070	675	1,832	615	5.00-5.30
Soybean oil											
							Mil. lbs				¢/lb
1981/82	---	---	---	10,979	12,715	---	9,535	2,077	11,612	1,103	19.0
1982/83	---	---	---	12,041	13,144	---	9,858	2,025	11,883	1,261	20.6
1983/84*	---	---	---	10,872	12,133	---	9,598	1,824	11,412	721	30.6
1984/85*	---	---	---	11,468	12,209	---	9,909	1,660	11,569	640	29.5
1985/86*	---	---	---	11,660	12,300	---	9,950	1,450	11,400	900	20.0-24.0
Soybean meal											
							Thou. tons				\$/ton
1981/82	---	---	---	24,634	24,797	---	17,714	6,908	24,622	175	183
1982/83	---	---	---	26,714	26,889	---	19,306	7,109	26,415	474	187
1983/84*	---	---	---	22,756	23,230	---	17,615	5,360	22,977	255	188
1984/85*	---	---	---	24,529	24,784	---	19,480	4,917	24,397	387	125
1985/86*	---	---	---	25,313	25,700	---	19,800	5,500	25,300	400	120-150

See footnotes at end of table.

Supply and utilization: domestic measure, continued

	Area										
	Planted	Harvested	Yield	Production	Total supply 2/	Feed and residual	Other domestic use	Exports	Total use	Ending stocks	Farm price 3/
	Mil. acres	lb/acre									¢/lb
Cotton											
1981/82	14.3	13.8	542	15.6	18.3	—	5.3	6.6	11.8	6/ 6.6	54.0
1982/83	11.3	9.7	590	12.0	18.6	—	5.5	5.2	10.7	6/ 7.9	59.1
1983/84*	7.9	7.3	508	7.8	15.7	—	5.9	6.8	12.7	6/ 2.8	66.4
1984/85*	11.1	10.4	600	13.0	15.8	—	5.5	6.2	11.7	6/ 4.1	8/ 58.7
1985/86*	10.7	10.3	644	13.9	18.0	—	5.7	3.5	9.2	6/ 8.9	—

Supply and utilization: metric measure 7/

	Mil. hectares	Metric tons/ha									\$/metric ton
Wheat											
1981/82	35.7	32.6	2.32	75.8	102.8	3.7	19.4	48.2	71.3	31.5	134
1982/83	34.9	31.5	2.39	75.3	107.0	5.3	19.4	41.1	65.8	41.2	130
1983/84*	30.9	24.8	2.65	65.9	107.2	10.2	20.0	38.9	69.1	38.1	130
1984/85*	32.1	27.1	2.61	70.6	108.9	11.1	20.2	38.7	70.2	38.7	124
1985/86*	30.6	26.1	2.51	65.8	104.8	9.5	20.7	27.2	57.4	47.4	110-117

Mil. metric tons (rough equiv.)

Rice											
1981/82	1.5	1.5	5.40	8.3	9.0	4/ 0.4	2.7	3.7	6.8	2.2	200
1982/83	1.3	1.3	5.28	7.0	9.2	4/ 0.4	2.5	3.1	6.0	3.2	179
1983/84*	0.9	0.9	5.15	4.5	7.8	4/ 0.2	2.2	3.2	5.7	2.1	193
1984/85*	1.1	1.1	5.52	6.2	8.4	4/ 0.3	2.4	2.8	5.5	2.9	182
1985/86*	1.0	1.0	5.96	6.0	9.1	4/ 0.3	2.5	2.6	5.3	3.7	171-193

Mil. metric tons

Corn											
1981/82	34.0	30.1	6.85	206.2	232.5	106.7	20.6	50.0	177.3	55.2	98
1982/83	33.1	29.4	7.12	209.2	264.4	114.9	22.8	47.5	185.2	79.2	106
1983/84*	24.4	20.8	5.10	106.0	185.4	94.9	24.7	47.4	167.0	18.4	128
1984/85*	32.5	29.1	6.68	194.5	212.9	105.4	27.1	47.0	179.5	33.5	104
1985/86*	33.7	30.3	7.31	221.4	256.5	109.2	28.4	41.3	179.0	77.5	93-100

Feed Grains											
1981/82	49.9	43.1	5.71	246.2	281.1	128.5	25.8	58.6	212.9	68.2	—
1982/83	49.1	42.9	5.83	250.2	318.7	139.4	28.0	54.0	221.4	97.3	—
1983/84*	41.6	32.5	4.20	136.4	234.4	117.5	29.8	55.7	202.9	31.5	—
1984/85*	49.3	43.1	5.48	236.3	268.6	130.4	32.3	56.0	218.7	49.9	—
1985/86*	51.5	45.1	6.01	270.9	321.3	135.9	33.8	49.1	218.8	102.6	—

Soybeans											
1981/82	27.4	26.9	2.03	54.4	63.1	5/ 2.5	28.0	25.3	55.8	7.2	222
1982/83	28.7	28.1	2.15	59.6	66.5	5/ 2.4	30.2	24.6	57.1	9.4	209
1983/84*	25.8	25.3	1.23	44.5	53.9	5/ 2.2	26.8	20.2	49.1	4.8	286
1984/85*	27.4	26.7	1.14	50.6	55.4	5/ 2.4	28.0	16.3	46.8	8.6	214
1985/86*	25.5	25.2	2.30	57.9	66.6	5/ 2.4	29.1	18.4	49.8	16.7	183-194

Soybean oil											
1981/82	—	—	—	4.98	5.77	—	4.33	.94	5.27	.50	419
1982/83	—	—	—	5.46	5.96	—	4.47	.92	5.39	.57	454
1983/84*	—	—	—	4.93	5.50	—	4.35	.83	5.17	.32	675
1984/85*	—	—	—	5.20	5.54	—	4.49	.75	5.25	.29	650
1985/86*	—	—	—	5.28	5.58	—	4.51	.66	5.17	.41	441-530

Soybean meal											
1981/82	—	—	—	22.36	22.51	—	16.08	6.27	22.35	.16	201
1982/83	—	—	—	24.24	24.39	—	17.52	6.45	23.96	.43	206
1983/84*	—	—	—	20.64	21.07	—	15.98	4.86	20.84	.23	207
1984/85*	—	—	—	22.25	22.48	—	17.67	4.46	22.13	.35	137
1985/86*	—	—	—	22.96	23.31	—	17.96	4.99	22.95	.36	132-165

\$/kg

Cotton											
1981/82	5.8	5.7	.60	3.41	3.99	—	1.15	1.43	2.58	6/ 1.44	1.19
1982/83	4.6	3.9	.66	2.60	4.05	—	1.20	1.13	2.33	6/ 1.73	1.30
1983/84*	3.2	3.0	.57	1.69	3.42	—	1.29	1.48	2.77	6/ .60	1.46
1984/85*	4.5	4.2	.67	2.83	3.44	—	1.21	1.35	2.56	6/ .89	1.29
1985/86*	4.3	4.2	.72	2.97	3.86	—	1.25	.76	2.01	6/ 1.87	—

*November 12, 1985 Supply and Demand Estimates. 1/ Marketing year beginning June 1 for wheat, barley, and oats, August 1 for cotton and rice, September 1 for soybeans, and October 1 for corn, sorghum, soybean meal, and soybean oil. 2/ Includes imports. 3/ Season average. 4/ Statistical discrepancy. 5/ Includes seed. 6/ Upland and extra long staple. Stock estimates based on Census Bureau data which results in an unaccounted difference between supply and use estimates and changes in ending stocks. 7/ Conversion factors: Hectare (ha.) = 2.471 acres, 1 metric ton = 2204.622 pounds, 36.7437 bushels of wheat or soybeans, 39.3679 bushels of corn or sorghum, 45.9296 bushels of barley, 68.8444 bushels of oats, 22.046 cwt. of rice, and 4.59 480-pound bales of cotton. 8/ Weighted avg.

General Economic Data

Gross national product and related data

	Annual			1984		1985		
	1982	1983	1984	III	IV	I	II	III p
\$ Bil. (Quarterly data seasonally adjusted at annual rates)								
Gross national product 1/	3,069.3	3,304.8	3,662.8	3,694.6	3,758.7	3,810.6	3,853.1	3,916.1
Personal consumption expenditures	1,984.9	2,155.9	2,341.8	2,361.4	2,396.5	2,446.5	2,493.0	2,536.5
Durable goods	245.1	279.8	318.8	317.2	326.3	334.8	339.2	355.6
Nondurable goods	757.5	801.7	856.9	861.4	866.5	877.3	891.9	895.6
Clothing & shoes	118.8	127.0	140.2	139.3	143.2	145.5	149.2	147.1
Food & beverages	392.8	416.5	443.6	448.6	449.8	457.3	463.9	466.9
Services	982.2	1,074.4	1,166.1	1,182.8	1,203.8	1,234.4	1,261.9	1,285.3
Gross private domestic investment	414.9	471.6	637.8	662.8	637.8	646.8	643.2	622.8
Fixed investment	441.0	485.1	579.6	591.0	601.1	606.1	625.3	630.9
Nonresidential	349.6	352.9	425.7	435.7	447.7	450.9	467.3	467.5
Residential	91.4	132.2	153.9	155.3	153.5	155.2	158.0	163.4
Change in business inventories	-26.1	-13.5	58.2	71.8	36.6	40.7	17.9	-8.1
Net exports of goods & services	19.0	-8.3	-64.2	-90.6	-56.0	-74.5	-94.0	-89.2
Exports	348.4	336.2	364.3	368.6	367.2	360.7	347.7	347.6
Imports	329.4	344.4	428.5	459.3	423.2	435.2	441.6	436.7
Government purchases of goods & services	650.5	685.5	747.4	761.0	780.5	791.9	810.9	845.9
Federal	258.9	269.7	295.4	302.0	315.7	319.9	324.2	347.0
State & local	391.5	415.8	452.0	458.9	464.8	472.0	486.7	498.9
1972 \$Bil. (Quarterly data seasonally adjusted at annual rates)								
Gross national product	1,480.0	1,534.7	1,639.3	1,645.2	1,662.4	1,663.5	1,671.3	1,684.8
Personal consumption expenditures	963.3	1,009.2	1,062.4	1,065.9	1,075.4	1,089.1	1,102.1	1,115.2
Durable goods	140.5	157.5	178.0	177.0	182.9	187.0	190.1	199.2
Nondurable goods	363.1	376.3	393.5	395.5	395.0	398.6	403.2	403.9
Clothing & shoes	84.2	88.5	96.5	95.9	96.9	97.9	99.8	98.9
Food & beverages	182.3	188.9	193.4	195.6	194.7	196.8	199.8	200.7
Services	459.8	475.4	490.8	493.5	497.5	503.5	508.7	512.1
Gross private domestic investment	194.3	221.0	289.9	300.2	289.9	292.1	289.5	278.1
Fixed investment	204.7	224.6	265.1	269.6	273.1	275.0	281.2	280.2
Nonresidential	166.9	171.0	204.9	209.5	213.8	213.0	220.3	217.7
Residential	37.9	53.7	60.2	60.1	59.2	60.0	60.9	62.5
Change in business inventories	-10.4	-3.6	24.8	30.6	16.8	19.1	8.3	-2.1
Net exports of goods & services	29.7	12.6	-15.0	-27.0	-13.4	-28.4	-33.8	-34.0
Exports	147.6	139.5	146.0	147.4	147.1	143.7	137.9	138.1
Imports	118.0	126.9	161.1	174.4	160.5	172.1	171.8	172.1
Government purchases of goods & services	292.7	291.9	302.1	306.1	310.5	310.7	313.5	325.5
Federal	117.0	116.2	122.5	125.0	129.6	129.8	129.7	139.4
State & local	175.7	175.7	179.6	181.1	180.9	180.9	183.9	186.1
New plant & equipment expenditures (\$bil.)	310.58	304.78	354.44	361.48	368.29	371.16	387.83	389.54
Implicit price deflator for GNP (1972=100)	207.38	215.34	223.43	224.57	226.10	229.07	230.55	232.44
Disposable income (\$bil.)	2,180.5	2,340.1	2,576.8	2,606.4	2,644.5	2,654.8	2,726.5	2,712.6
Disposable income (1972 \$bil.)	1,058.3	1,095.4	1,169.0	1,176.5	1,186.7	1,181.9	1,205.3	1,192.6
Per capita disposable income (\$)	9,385	9,977	10,887	11,000	11,133	11,154	11,432	11,346
Per capita disposable income (1972 \$)	4,555	4,670	4,939	4,965	4,996	4,965	5,054	4,988
U.S. population, total, incl. military abroad (mil.)	232.3	234.5	236.7	237.0	237.6	238.1	238.5	239.1
Civilian population (mil.)	230.2	232.3	234.4	234.8	235.3	235.8	236.3	236.9

See footnotes at end of next table.

Selected monthly indicators

	Annual			1984		1985				
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept p
Monthly date seasonally adjusted except as noted										
Industrial production, total 2/ (1977=100)	103.1	109.2	121.8	123.3	124.1	124.1	124.3	124.1	124.8	124.7
Manufacturing (1977=100)	102.2	110.2	123.9	125.6	126.6	126.6	126.7	126.9	127.7	127.5
Durable (1977=100)	99.9	107.7	124.8	127.2	128.2	127.9	127.6	127.7	129.1	128.6
Nondurable (1977=100)	105.5	113.7	122.5	123.1	124.3	124.7	125.5	125.7	125.7	125.9
Leading economic indicators 1/ 3/ (1967=100)	136.8	156.0	165.7	170.3	166.9	167.4	167.6	168.7	170.2	170.3
Employment 4/ (mil. persons)	99.5	100.8	105.0	105.4	106.9	107.0	106.4	106.9	107.2	107.5
Unemployment rate 4/ (%)	9.7	9.6	7.5	7.4	7.3	7.3	7.3	7.3	7.0	7.1
Personal income 1/ (\$ bil. annual rate)	2,584.6	2,744.2	3,012.1	3,068.3	3,184.7	3,163.7	3,175.7	3,188.8	3,199.3	3,209.4
Hourly earnings in manufacturing 4/ 5/ (\$)	8.49	8.83	9.17	9.24	9.48	9.48	9.50	9.53	9.48	9.54
Money stock-M1 (daily avg.) (\$bil.) 2/	6/ 480.8	6/ 528.0	6/ 558.5	551.5	574.9	581.6	591.2	595.8	605.9	611.7
Money stock-M2 (daily avg.) (\$bil.) 2/	6/ 1,954.9	6/ 2,188.8	6/ 2,371.7	2,308.4	2,427.7	2,444.9	2,472.9	2,490.5	2,513.6	2,528.4
Three-month Treasury bill rate 2/ (%)	10.686	8.63	9.58	10.41	8.00	7.56	7.01	7.05	7.18	7.08
Aaa corporate bond yield (Moody's) 5/ 7/ (%)	13.79	12.04	12.71	12.66	12.23	11.72	10.94	10.97	11.05	11.07
Interest rate on new home mortgages 5/ 8/ (%)	15.14	12.57	12.38	12.53	12.05	12.01	11.75	11.34	11.24	11.15
Housing starts, private (incl. farm) (thou.)	1,062	1,703	1,750	1,669	1,933	1,681	1,701	1,663	1,746	1,583
Auto sales at retail, total 1/ (mil.)	8.0	9.2	10.4	10.2	11.1	11.3	10.3	10.3	12.6	14.5
Business sales, total 1/ (\$ bil.)	344.7	368.7	411.7	412.3	426.5	428.3	418.4	422.5	429.1 p	—
Business inventories, total 1/ (\$ bil.)	9/ 509.2	9/ 520.3	9/ 573.4	565.5	580.2	577.8	579.7	580.1	577.9 p	—
Sales of all retail stores (\$ bil.) 10/	89.3	97.9	108.1	108.4	115.4	114.9	113.7	114.4	117.0 p	120.2
Durable goods stores (\$ bil.)	28.1	33.0	38.7	38.3	42.9	42.8	42.1	42.3	44.3 p	47.0
Nondurable goods stores (\$ bil.)	61.3	64.8	69.4	70.1	72.4	72.1	71.7	72.1	72.8 p	73.2
Food stores (\$ bil.)	20.4	21.2	22.5	22.8	23.5	23.3	23.4	23.5	23.4 p	24.0
Eating & drinking places (\$ bil.)	8.7	9.6	10.3	10.5	10.8	11.0	10.9	10.9	10.9 p	11.1
Apparel & accessory stores (\$ bil.)	4.6	5.0	5.6	5.6	5.9	5.9	5.9	5.9	6.0 p	6.0

1/ Department of Commerce. 2/ Board of Governors of the Federal Reserve System. 3/ Composite index of 12 leading indicators. 4/ Department of Labor, Bureau of Labor Statistics. 5/ Not seasonally adjusted. 6/ December of the year listed. 7/ Moody's Investors Service. 8/ Federal Home Loan Bank Board. 9/ Book value, end of period. 10/ Adjusted for seasonal variations, holidays, and trading day differences. p = preliminary.

U.S. Agricultural Trade

Prices of principal U.S. agricultural trade products

	Annual			1984		1985				
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Export commodities										
Wheat, f.o.b. vessel, Gulf ports (\$/bu.)	4.38	4.30	4.17	4.28	3.97	3.77	3.65	3.53	3.39	3.47
Corn, f.o.b. vessel, Gulf ports (\$/bu.)	2.80	3.49	3.50	3.43	3.10	3.00	2.97	2.96	2.68	2.62
Grain sorghum, f.o.b. vessel, Gulf ports (\$/bu.)	2.81	3.34	3.00	2.72	3.04	2.90	2.72	2.54	2.36	2.12
Soybeans, f.o.b. vessel, Gulf ports (\$/bu.)	6.36	7.31	7.38	6.47	6.29	6.03	6.03	5.86	5.51	5.44
Soybean oil, Decatur (cts./lb.)	18.33	23.51	30.75	27.54	34.07	32.41	32.42	28.84	23.63	22.41
Soybean meal, Decatur (\$/ton)	179.70	200.91	166.80	144.55	117.86	111.98	110.80	116.39	121.97	130.93
Cotton, 10 market avg. spot (cts./lb.)	60.10	68.68	68.37	61.16	61.67	60.11	59.76	59.55	57.87	56.38
Tobacco, avg. price of auction (cts./lb.)	172.20	173.96	173.99	174.92	177.56	175.84	175.84	175.84	165.14	175.84
Rice, f.o.b. mill, Houston (\$/cwt.)	18.89	19.39	19.47	18.69	18.75	18.75	18.75	18.75	18.63	18.25
Inedible tallow, Chicago (cts./lb.)	12.85	13.41	17.47	16.94	17.70	16.19	14.31	13.60	12.06	11.40
Import commodities										
Coffee, N.Y. spot (\$/lb.)	1.41	1.33	1.46	1.46	1.38	1.38	1.40	1.34	1.33	1.33
Sugar, N.Y. spot (cts./lb.)	19.86	22.04	21.74	21.70	20.97	21.09	n.a.	n.a.	n.a.	n.a.
Rubber, N.Y. spot (cts./lb.)	45.48	56.19	49.70	46.30	42.13	40.93	41.64	41.55	42.47	43.24
Cocoa beans, N.Y. (\$/lb.)	.75	.92	1.06	1.04	1.02	.96	.92	.96	.98	1.01
Bananas, (\$/40 lb. box)	6.80	7.93	6.70	6.88	8.79	8.30	6.90	5.82	7.65	6.56

n.a. = not available.

U.S. agricultural exports

	October-September				September			
	1983/84	1984/85	1983/84	1984/85	1984	1985	1984	1985
	Thou. units	Thou. units	\$ Thou.	\$ Thou.	Thou. units	Thou. units	\$ Thou.	\$ Thou.
Animals, live (no.)	754	996	276,233	255,241	76	43	84,603	37,224
Meats & preps., excl. poultry (mt)	422	427	929,414	905,628	36	34	79,094	75,228
Dairy products (mt)	418	621	393,453	413,170	53	44	48,651	30,486
Poultry meats (mt)	225	234	279,857	257,082	21	19	22,992	19,119
Fats, oils, & greases (mt)	1,395	1,217	703,164	607,907	119	99	61,425	40,478
Hides & skins incl. furskins	—	—	1,317,789	1,324,624	—	—	94,223	93,720
Cattle hides, whole (no.)	24,283	25,456	1,009,607	1,018,939	1,833	2,034	81,297	80,162
Mink pelts (no.)	2,551	2,222	67,465	60,378	49	69	1,418	1,769
Grains & feeds (mt)	108,194	93,846	17,303,849	13,268,357	11,170	5,673	1,702,495	746,424
Wheat (mt)	41,699	28,524	6,497,140	4,263,025	6,606	1,965	997,213	264,992
Wheat flour (mt)	1,071	782	233,904	163,843	31	65	7,344	4,720
Rice (mt)	2,293	1,972	896,908	676,479	269	229	96,974	73,806
Feed grains, excl. products (mt)	55,285	54,931	8,128,621	6,774,677	3,772	2,776	506,396	290,873
Feeds & fodders (mt)	7,021	6,543	1,215,925	1,005,314	424	555	68,069	83,851
Other grain products (mt)	825	1,095	331,351	385,019	68	84	26,498	28,182
Fruits, nuts, and preps. (mt)	1,931	1,907	1,594,462	1,686,885	149	145	149,010	145,594
Fruit juices incl. froz. (hl)	5,598	4,641	223,245	199,590	399	334	17,328	15,308
Vegetables & preps. (mt)	1,527	1,420	998,539	945,832	99	88	65,520	61,144
Tobacco, unmanufactured (mt)	227	257	1,432,724	1,587,905	18	19	106,869	111,559
Cotton, excl. linters (mt)	1,481	1,277	2,394,592	1,945,039	61	44	104,553	63,941
Seeds (mt)	252	300	325,874	353,317	18	29	23,098	19,784
Sugar, cane or beet (mt)	285	355	73,828	65,166	13	33	3,219	5,411
Oilseeds & products (mt)	26,961	23,806	8,601,901	6,195,134	792	1,362	266,271	329,004
Oilseeds (mt)	20,466	17,886	6,254,214	4,323,901	534	896	148,024	199,418
Soybeans (mt)	19,265	16,620	5,734,244	3,875,927	516	857	136,956	180,168
Protein meal (mt)	5,060	4,609	1,216,947	853,518	158	382	34,479	67,760
Vegetable oils (mt)	1,435	1,311	1,130,740	1,017,714	100	84	83,769	61,826
Essential oils (mt)	11	12	95,585	104,877	1	0	5,740	6,175
Other	458	457	309,733	318,871	49	43	24,590	25,202
Total	—	—	38,026,820	31,185,038	—	—	2,917,580	1,884,903

-- Not available

Indexes of nominal and real trade-weighted dollar exchange rates

	1984		1985									
	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct
April 1971=100												
Total agriculture												
Nominal 1/	1,067.0	1,152.2	1,281.5	1,404.0	1,525.5	1,706.5	1,861.0	2,041.6	2,216.7	2,392.4	2,583.3	2,830.0
Real 2/	102.5	104.2	106.1	108.5	108.3	104.6	105.2*	105.6*	103.2*	101.8*	103.0*	99.1*
Soybeans												
Nominal	175.2	180.6	185.1	191.9	194.5	187.8	190.3	197.3	203.2	201.4	209.7	210.2
Real	99.6	102.1	103.4	107.4	107.3	101.8	102.4*	101.9*	98.5*	96.3*	97.6*	92.4*
Wheat												
Nominal	5,378.4	5,864.8	6,598.2	7,285.2	7,988.1	9,092.9	9,996.1	11,011.6	11,995.8	13,007.8	14,116.0	15,606.6
Real	106.4	106.9	108.9	109.6	108.8	109.0	110.1*	111.6*	110.5*	109.7*	110.1*	107.9*
Corn												
Nominal	1,013.2	1,092.5	1,211.9	1,326.1	1,437.7	1,598.6	1,740.2	1,905.4	2,067.3	2,226.7	2,402.8	2,627.2
Real	102.5	104.7	106.1	109.4	109.4	104.4	105.2*	104.8*	102.0*	100.1*	101.4*	97.1*
Cotton												
Nominal	197.6	207.0	209.3	211.5	212.9	211.3	212.8	212.8	213.3	213.0	215.1	212.8
Real	98.0	99.1	100.0	101.6	102.3	101.0	101.7*	101.6*	100.3*	100.0*	100.9*	98.7*

1/ Nominal values are percentage changes in currency units per dollar, weighted by proportion of agricultural exports from the United States. An increase indicates that the dollar has appreciated. 2/ Real values are computed in the same way as the nominal series, adjusted for CPI changes in the countries involved.

*Preliminary; assumes the same rate of CPI increase/decrease as the previous six months.

U.S. agricultural imports

	October-September				September			
	1983/84	1984/85	1983/84	1984/85	1984	1985	1984	1985
	Thou. units		\$ Thou.		Thou. units		\$ Thou.	
Animals, live (no.)	1,907	2,120	595,879	568,589	143	94	46,438	29,554
Meats & preps., excl. poultry (mt)	905	1,123	1,931,290	2,213,862	86	102	179,965	195,246
Beef & veal (mt)	550	674	1,165,393	1,294,810	52	67	107,254	120,079
Pork (mt)	328	416	703,150	846,520	30	33	66,428	68,416
Dairy products (mt)	382	418	757,363	763,435	37	46	62,670	75,318
Poultry and products	—	—	121,712	92,582	—	—	9,071	8,540
Fats, oils, & greases (mt)	18	21	13,074	17,760	2	1	1,517	1,209
Hides & skins, incl. furskins	—	—	216,411	239,846	—	—	14,866	17,454
Wool, unmanufactured (mt)	59	43	193,424	145,237	3	4	10,764	12,714
Grains & feeds (mt)	1,805	2,070	533,693	603,747	184	200	50,489	62,432
Fruits, nuts, & preps., ex juices (mt)	4,036	4,483	1,634,299	1,890,605	256	366	117,481	159,414
Bananas & plantains (mt)	2,727	3,022	665,711	752,244	180	284	42,905	71,024
Fruit juices (hl)	27,247	32,112	670,501	995,495	3,079	2,587	85,982	65,519
Vegetables & preps. (mt)	2,093	2,140	1,314,043	1,346,846	110	122	77,198	80,419
Tobacco, unmanufactured (mt)	190	191	562,905	555,528	15	15	44,906	42,508
Cotton, unmanufactured (mt)	32	31	17,386	16,868	4	3	2,265	648
Seeds (mt)	82	92	96,542	90,863	2	3	4,754	7,402
Nursery stock & cut flowers	—	—	291,920	317,821	—	—	33,744	40,779
Sugar, cane or beet (mt)	2,829	2,338	1,144,338	911,842	153	213	65,934	82,264
Oilseeds & products (mt)	1,137	1,271	799,019	784,345	79	127	71,126	61,879
Oilseeds (mt)	223	253	94,859	97,982	9	27	4,451	8,462
Protein meal (mt)	118	159	21,009	16,597	9	11	1,321	986
Vegetable oils (mt)	797	859	683,151	669,766	61	88	65,354	52,431
Beverages excl. fruit juices (hl)	14,120	15,494	1,546,966	1,622,200	1,416	1,433	141,784	149,834
Coffee, tea, cocoa, spices (mt)	1,776	1,868	4,777,194	4,982,616	146	165	415,017	444,186
Coffee, incl. products (mt)	1,128	1,128	3,300,425	3,243,701	89	111	261,970	305,946
Cocoa beans & products (mt)	451	539	1,058,400	1,285,304	43	37	121,139	97,212
Rubber & allied gums (mt)	809	799	855,990	679,946	69	63	68,567	48,230
Other	—	—	843,815	899,579	—	—	76,751	84,701
Total	—	—	18,915,766	19,739,612	—	—	1,581,289	1,670,250

— Not available.

Trade balance

	October-September		September	
	1983/84	1984/85	1984	1985
	\$ Mil.			
Exports				
Agricultural	38,027	31,185	2,918	1,885
Nonagricultural	170,014	179,252	14,182	14,658
Total 1/	208,041	210,437	17,100	16,543
Imports				
Agricultural	18,916	19,740	1,581	1,670
Nonagricultural	295,088	313,723	26,038	29,659
Total 2/	314,004	333,463	27,619	31,329
Trade balance				
Agricultural	19,111	11,445	1,337	215
Nonagricultural	-125,074	-134,471	-11,856	-15,001
Total	-105,963	-123,026	-10,519	-14,786

1/ Domestic exports including Department of Defense shipments (F.A.S. value). 2/ Imports for consumption (customs value).

U.S. agricultural exports by regions

Region & country	October-September		September		Change from year earlier	
	1983/84	1984/85	1984	1985	October-Sept	Sept
	\$ Mil.				Percent	
Western Europe	9,265	7,184	558	472	-22	-15
European Community	6,716	5,336	443	350	-21	-21
Belgium-Luxembourg	836	470	61	40	-44	-34
France	510	396	19	26	-22	33
Germany, Fed. Rep.	1,260	900	79	52	-29	-34
Italy	771	677	38	23	-12	-38
Netherlands	2,227	1,927	108	130	-13	21
United Kingdom	790	628	108	46	-20	-57
Other Western Europe	2,548	1,849	115	122	-27	7
Portugal	702	502	22	32	-28	44
Spain, incl. Canary Islands	1,221	826	41	51	-32	24
Switzerland	311	237	14	7	-24	-49
Eastern Europe	741	531	41	24	-28	-42
Germany Dem. Rep.	132	81	6	0	-39	-93
Poland	197	126	10	6	-36	-40
USSR	2,512	2,509	323	1	0	-100
Asia	15,209	11,934	1,110	784	-22	-29
West Asia (Mideast)	1,865	1,452	186	95	-22	-49
Turkey	222	129	30	1	-42	-96
Iraq	423	371	42	31	-12	-26
Israel	351	300	21	16	-15	-25
Saudia Arabia	497	381	55	23	-23	-59
South Asia	867	600	71	36	-31	-50
India	376	129	19	10	-66	-49
Pakistan	285	229	17	15	-20	-15
East & Southeast Asia	12,477	9,882	853	652	-21	-24
China	692	239	78	25	-65	-67
Taiwan	1,409	1,342	72	87	-5	21
Japan	6,935	5,663	466	360	-18	-23
Korea, Rep.	1,816	1,400	108	98	-23	-9
Hong Kong	407	396	31	29	-3	-5
Indonesia	438	204	25	5	-53	-80
Philippines	300	285	46	30	-5	-34
Africa	2,868	2,528	313	157	-12	-50
North Africa	1,542	1,208	204	78	-22	-62
Morocco	341	156	41	14	-54	-65
Algeria	162	221	24	9	36	-64
Egypt	882	766	110	53	-13	-52
Sub-Saharan	1,327	1,319	108	78	-1	-28
Nigeria	345	367	28	16	6	-40
Rep. S. Africa	525	189	13	5	-64	-62
Latin America & Caribbean	5,279	4,567	388	301	-13	-22
Brazil	438	557	40	24	27	-41
Caribbean Islands	827	771	73	64	-7	-12
Colombia	220	238	14	20	8	44
Mexico	1,966	1,566	110	56	-20	-49
Peru	227	106	6	16	-53	140
Venezuela	778	721	47	55	-7	19
Canada	1,936	1,727	167	136	-11	-18
Oceania	216	204	19	10	-6	-47
Total	38,027	31,185	2,918	1,885	-18	-35

World Agricultural Production

World supply and utilization of major crops

	1979/80	1980/81	1981/82	1982/83	1983/84	1984/85 E	1985/86 P
	Mil. units						
Wheat							
Area (hectare)	227.6	236.9	238.7	237.5	229.1	231.1	230.5
Production (metric ton)	422.8	442.9	448.4	479.1	491.0	513.6	506.3
Exports (metric ton) 1/	86.0	94.1	101.3	98.6	102.9	108.2	90.5
Consumption (metric ton) 2/	443.5	445.7	441.4	467.9	486.6	499.4	494.0
Ending stocks (metric ton) 3/	80.4	78.2	85.1	96.4	100.8	115.0	127.3
Coarse grains							
Area (hectare)	341.1	342.4	350.2	339.2	333.9	340.7	344.0
Production (metric ton)	741.5	732.9	769.9	779.2	685.4	808.0	844.1
Exports (metric ton) 1/	98.8	108.0	96.6	89.9	91.9	100.8	92.2
Consumption (metric ton) 2/	740.3	743.0	739.8	753.6	757.8	778.1	793.4
Ending stocks (metric ton) 3/	91.6	82.8	112.9	138.6	66.1	96.0	146.7
Rice, milled							
Area (hectare)	143.1	144.4	145.1	141.2	144.1	143.9	144.2
Production (metric ton)	253.9	271.0	280.6	285.7	307.7	319.3	316.4
Exports (metric ton) 4/	12.7	13.1	11.8	11.9	12.6	11.4	11.4
Consumption (metric ton) 2/	257.8	272.3	281.5	289.6	307.7	315.7	314.3
Ending stocks (metric ton) 3/	23.4	22.1	21.3	17.3	17.4	21.0	23.0
Total grains							
Area (hectare)	711.8	723.8	733.9	717.8	707.1	715.7	718.7
Production (metric ton)	1,418.2	1,446.8	1,498.9	1,544.1	1,484.1	1,640.9	1,666.8
Exports (metric ton) 1/	197.5	215.2	209.7	200.5	207.4	220.4	194.1
Consumption (metric ton) 2/	1,441.9	1,461.0	1,462.7	1,511.0	1,552.1	1,593.2	1,601.7
Ending stocks (metric ton) 3/	195.4	183.2	219.3	252.3	184.3	232.0	297.0
Oilseeds							
Production (metric ton)	170.1	155.8	169.3	178.0	164.8	188.0	196.5
Trade (metric ton)	35.9	32.1	36.0	35.0	32.9	32.4	33.1
Meals							
Production (metric ton)	92.9	90.8	94.0	98.0	92.7	100.6	101.8
Trade (metric ton)	26.5	25.9	28.8	31.4	29.5	31.7	32.0
Oils							
Production (metric ton)	39.7	40.0	41.5	43.3	42.2	46.3	47.3
Trade (metric ton)	12.8	12.5	13.2	14.2	14.2	15.3	15.5
Cotton							
Area (hectare)	32.2	32.4	33.2	31.9	31.3	34.3	33.3
Production (bale)	65.2	64.8	70.8	67.5	67.6	87.2	81.7
Exports (bale)	23.1	19.7	20.2	19.4	19.2	20.5	19.7
Consumption (bale)	65.3	65.9	65.5	68.0	68.9	69.1	71.9
Ending stocks (bale)	24.0	24.1	25.4	25.2	24.7	42.3	51.6

E = Estimated. P = Projected. 1/ Excludes intra-EC trade. 2/ Where stocks data not available (excluding USSR), consumption includes stock changes. 3/ Stocks data are based on differing marketing years and do not represent levels at a given date. Data not available for all countries; includes estimated change in USSR grain stocks but not absolute level. 4/ Calendar year data. 1980 data correspond with 1979/80, etc.

Farm Income

Farm income statistics

	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 F
	\$ bil.										
Receipts											
Cash receipts:											
Crops 1/	45.8	49.0	48.6	53.0	62.3	71.8	72.9	72.7	66.8	69.1	66 to 70
Livestock	43.1	46.3	47.6	59.2	69.2	68.0	69.2	70.3	69.4	72.7	67 to 71
Total	88.9	95.4	96.2	112.2	131.5	139.8	142.1	142.9	136.3	141.8	136 to 140
Other cash income 2/	1.8	1.8	3.0	4.9	3.6	3.5	4.4	6.1	11.8	11.4	8 to 12
Gross cash income	90.7	97.2	99.3	117.1	135.1	143.3	146.5	149.0	148.1	153.3	147 to 152
Nonmoney income 3/	6.5	7.3	8.4	9.2	10.5	12.2	13.7	14.0	13.1	12.9	11 to 13
Realized gross income	97.2	104.4	107.6	126.3	145.6	155.5	160.2	163.0	161.2	166.1	158 to 163
Value of inventory chg	3.4	-1.5	1.1	2.1	5.0	-5.9	5.8	-1.4	-10.6	7.8	-1 to 3
Total gross income	100.6	102.9	108.8	128.4	150.7	149.6	166.0	161.6	150.6	174.0	159 to 164
Expenses											
Cash expenses 4/	61.7	67.8	72.0	82.6	98.1	106.1	110.7	110.7	109.8	114.1	108 to 112
Total expenses	75.0	82.7	88.9	101.0	119.0	129.4	136.1	136.9	135.6	139.5	132 to 136
Income											
Net cash income	29.0	29.4	27.3	34.6	37.0	37.2	35.8	38.3	38.3	39.2	37 to 41
Total net farm income	25.5	20.2	19.9	27.4	31.7	20.2	29.8	24.6	15.0	34.5	25 to 29
Deflated total net farm income 5/	20.3	15.2	14.2	18.2	19.4	11.3	15.3	11.9	7.0	15.5	11 to 13
Off-farm income	23.9	26.7	26.1	29.7	33.8	35.1	36.9	37.9	38.8	40.0	39 to 43

F = Forecast. 1/ Includes net CCC loans. The 1978-1985 figures exclude sales of forest products. 2/ Income from machine hire and custom work, farm recreational income, and direct government payments. The 1978-1985 figures include sales of forest products and other misc. sources. 3/ Imputed gross rental value of farm dwellings and value of home consumption. 4/ Excludes depreciation of farm capital, perquisites to hired labor, and expenses associated with farm dwellings, and includes net rent to all landlords. 5/ Deflated by the GNP implicit price deflator, 1972=100. Totals may not add due to rounding.

Farm production¹

	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985 2/
	1977=100									
Farm output	97	100	104	111	103	118	114	95	111	117
All livestock products 3/	99	100	101	104	108	109	107	109	107	110
Meat animals	100	100	100	103	107	106	101	103	101	101
Dairy products	98	100	99	101	105	108	110	114	110	116
Poultry & eggs	98	100	106	114	115	119	119	120	123	127
All crops 4/	92	100	102	113	101	116	118	88	110	117
Feed grains	96	100	108	116	97	121	124	67	115	132
Hay & forage	94	100	106	108	98	106	110	101	107	107
Food grains	107	100	93	108	121	144	140	117	129	120
Sugar crops	112	100	101	94	97	107	96	96	95	96
Cotton	74	100	76	102	79	109	85	54	90	96
Tobacco	112	100	106	80	93	108	104	74	90	80
Oil crops	74	100	105	129	99	114	124	89	106	119
Cropland used for crops	98	100	97	100	101	102	101	88	99	99
Crop production per acre	94	100	105	113	100	114	117	100	111	118

1/ For historical data and indexes, see *Changes in Farm Production and Efficiency* USDA Statistical Bulletin 657. 2/ Preliminary indexes for 1985 based on November 1985 Crop Production report and other releases of the Crop Reporting Board, SRS. 3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output. 4/ Gross crop production includes some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output.

Cash receipts¹ from farm marketings, by States

State	Livestock and products		Crops 2/		Total 2/	
	Jan.-Aug. 1984	Jan.-Aug. 1985	Jan.-Aug. 1984	Jan.-Aug. 1985	Jan.-Aug. 1984	Jan.-Aug. 1985
	\$Mil.					
North Atlantic						
Maine	194	168	121	91	315	260
New Hampshire	51	51	18	18	70	69
Vermont	242	248	13	13	255	261
Massachusetts	89	89	103	105	192	194
Rhode Island	9	9	22	22	31	31
Connecticut	142	133	92	97	234	229
New York	1,275	1,240	447	404	1,722	1,644
New Jersey	91	91	238	249	328	340
Pennsylvania	1,527	1,446	561	587	2,087	2,034
North Central						
Ohio	1,089	966	1,055	1,127	2,144	2,094
Indiana	1,180	1,051	1,123	1,041	2,303	2,092
Illinois	1,483	1,487	2,817	3,006	4,300	4,493
Michigan	866	821	793	897	1,659	1,718
Wisconsin	2,746	2,716	581	468	3,327	3,184
Minnesota	2,155	2,111	1,543	1,482	3,698	3,593
Iowa	3,397	3,081	2,567	2,267	5,965	5,348
Missouri	1,468	1,387	868	637	2,335	2,025
North Dakota	443	455	902	957	1,345	1,412
South Dakota	1,196	1,192	636	646	1,832	1,838
Nebraska	3,019	3,043	1,504	1,286	4,522	4,329
Kansas	2,496	2,467	1,511	1,517	4,007	3,985
Southern						
Delaware	270	239	60	56	330	294
Maryland	557	515	154	165	711	680
Virginia	705	679	241	252	946	930
West Virginia	114	113	17	24	131	137
North Carolina	1,273	1,135	814	669	2,087	1,803
South Carolina	283	245	353	296	635	541
Georgia	1,309	1,083	581	640	1,890	1,723
Florida	740	692	2,473	2,194	3,213	2,886
Kentucky	765	771	470	730	1,235	1,501
Tennessee	639	656	365	503	1,004	1,159
Alabama	977	850	241	302	1,218	1,152
Mississippi	719	683	274	481	993	1,164
Arkansas	1,302	1,148	355	535	1,657	1,683
Louisiana	319	321	331	368	651	689
Oklahoma	1,114	1,224	535	693	1,649	1,917
Texas	3,957	3,687	1,982	2,367	5,939	6,054
Western						
Montana	407	416	395	297	802	713
Idaho	571	581	631	562	1,203	1,143
Wyoming	220	222	49	46	269	268
Colorado	1,395	1,249	675	764	2,070	2,013
New Mexico	384	420	185	229	569	649
Arizona	529	482	355	445	884	927
Utah	280	271	81	84	361	355
Nevada	114	115	52	50	166	165
Washington	682	662	1,078	944	1,760	1,606
Oregon	389	393	627	548	1,016	941
California	3,032	2,828	4,810	5,170	7,842	7,997
Alaska	5	5	8	8	13	13
Hawaii	58	58	349	328	407	386
United States	48,267	45,994	36,057	36,672	84,324	82,666

1/ Estimates as of the end of current month. 2/ Sales of farm products include receipts from commodities placed under CCC loans minus value of redemptions during the period. Rounded data may not add.

Cash receipts from farming

	1984					1985							
	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	July	Aug
Farm marketings and CCC loans 1/	11,108	12,210	15,728	16,120	13,453	13,162	9,750	10,370	9,560	9,122	9,875	10,659	10,168
Livestock and products	5,781	5,963	6,387	6,224	5,898	6,165	5,748	6,017	5,711	5,827	5,655	5,421	5,451
Meat animals	3,231	3,355	3,572	3,617	3,333	3,684	3,408	3,419	3,228	3,315	3,151	2,807	2,963
Dairy products	1,465	1,436	1,497	1,472	1,546	1,538	1,445	1,606	1,539	1,586	1,498	1,490	1,481
Poultry and eggs	981	941	1,009	1,006	909	799	795	879	825	813	897	868	906
Other	105	231	308	129	111	143	99	112	119	113	108	256	101
Crops	5,327	6,247	9,341	9,896	7,554	6,997	4,002	4,353	3,849	3,295	4,220	5,239	4,716
Food grains	1,645	1,138	1,096	686	538	653	448	397	300	280	1,153	1,693	1,170
Feed crops	1,082	1,178	1,971	2,660	2,119	2,476	1,093	1,179	880	753	845	1,085	1,044
Cotton (lint and seed)	85	208	946	1,030	864	638	468	200	92	-43	83	13	63
Tobacco	560	537	452	457	414	493	64	30	24	4	0	63	365
Oil-bearing crops	284	806	2,402	2,364	1,370	1,390	683	1,012	708	544	610	682	438
Vegetables and melons	852	1,038	1,033	682	608	573	480	619	757	753	628	610	774
Fruits and tree nuts	424	667	734	870	736	254	251	224	226	355	507	693	470
Other	396	676	706	1,149	905	520	515	693	862	649	395	399	393
Government payments	193	115	85	334	1,940	802	1,452	806	2,481	377	192	205	29
Total cash receipts	11,301	12,325	15,813	16,454	15,393	13,964	11,202	11,176	12,041	9,499	10,067	10,864	10,197

1/ Receipts from loans represent value of commodities placed under CCC loans minus value of redemptions during the month.

Transportation Data

Rail rates; grain and fruit-vegetable shipments

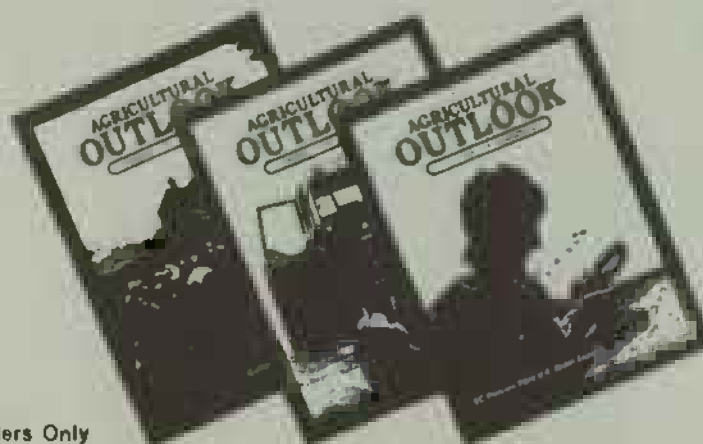
	Annual			1984	1985					
	1982	1983	1984	Sept	Apr	May	June	July	Aug	Sept
Rail freight rate index 1/ (Dec 1984 = 100)										
All products	93.7	95.0	99.3	99.4	100.0	100.0	99.9	99.8 p	99.8 p	99.8 p
Farm products	92.4	94.0	98.7	98.7	99.5	99.9	98.5	97.5 p	97.7 p	97.6 p
Grain	93.4	94.0	98.6	98.4	99.3	99.3	97.5	96.4 p	96.4 p	96.3 p
Food products	93.7	94.8	99.1	99.2	100.0	100.1	100.1	100.0 p	100.1 p	100.1 p
Grain										
Rail carloadings (thou. cars) 2/4/	24.9	26.1	27.3	29.2	19.9	17.2	23.2	22.5	29.8	18.8 p
Barge shipments (mil. bu.) 3/	41.2	40.8	37.2	41.4	34.4	25.4	26.0	27.0	24.1	34.0
Fresh fruit & vegetable shipments										
Piggy back (thou. cwt.) 3/ 4/	387	545	568	477	641	852	764	630	479	590
Rail (thou. cwt.) 3/ 4/	698	786	641	419	444	553	897	394	216	288
Truck (thou. cwt.) 3/ 4/	7,849	7,786	7,861	6,949	8,584	10,023	10,419	8,530	7,882	7,252

1/ Department of Labor, Bureau of Labor Statistics, revised March 1985. 2/ Weekly average; from Association of American Railroads. 3/ Weekly average; from Agricultural Marketing Service, USDA. 4/ Preliminary data for 1985. p = preliminary.

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